Supreme Court, U.S.
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No. 00-

IN THE

Supreme Court of the United States

SIGN-A-WAY, INC.,

Petitioner,

v.

MECHTRONICS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the Federal Circuit may preempt a common law damages remedy available via jury trial where that remedy parallels and helps to effectuate the federally mandated standard of disclosure to the Patent and Trademark Office?

STATEMENT PURSUANT TO RULE 29.6

Petitioner, Sign-A-Way, Inc., has no parent corporation and no publicly held company owns 10% or more of its stock.

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Sign-A-Way, Inc. respectfully petitions for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The decision of the Court of Appeals for the Eederal Circuit on the merits is unpublished (2000 U.S. App. Lexis 6230). It is reproduced in Appendix A. The decision of the District Court (Keeton, J) addressing the issues is reported at 12 F. Supp. 2nd 132 (D. Mass. 1998) and in Appendix B together with the District Court Amended Final Judgment.

STATEMENT OF JURISDICTION

The judgment of the United States Court of Appeals for the Federal Circuit was entered on April 5, 2000. *See* Appendix A. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1) (1994).

STATUTORY PROVISIONS INVOLVED AND APPLICABLE REGULATION

The Patent Laws considered by the Federal Circuit to have preemptive effect as a field of regulation having preemptive effect under the Supremacy Clause of the Federal Constitution *See* Appendix C. 37 C.F.R. § 1.56 (1999), Duty to disclose information material to patentability, is reproduced in Appendix C.

STATEMENT OF THE CASE

On April 3, 1998, a jury in the United States District Court for the District of Massachusetts returned a special verdict in favor of the plaintiff (Petitioner in the instant case), Sign-A-Way, Inc. The suit arose pursuant to a 1995 patent application filed by Mechtronics, Inc., the defendant below, for a self-leveling sign hanging device invented by Donna Stearns. Stearns invented a manually operated model of this device herself and approached Mechtronics for assistance in building a motorized model. Relying on Mechtronics' promise of confidentiality, Stearns provided Mechtronics with a working model of the device which Mechtronics continued to refine. In March 1995, Mechtronics filed a patent application for protection of this motorized device in which it did not list Stearns as an inventor.

The jury found that Mechtronics made a promise to Stearns that Mechtronics would list her as the inventor of the device on its patent application, and that Mechtronics broke that promise, doing injury to Stearns and to Sign-A-Way (as the assignee of Stearns). The jury also found that Mechtronics breached two other duties: the duty of good faith and candor that it owed to the Patent and Trademark Office, ("PTO") imposed by 37 C.F.R. § 1.56(a) (1999); and a state-law duty of due respect for the interests of Stearns in the prosecution of the patent. In its special verdict, the jury found damages in the amount of $200,000, plus $20,000 in pre-judgment interest, on both the breach of contract claim and the duty of due respect claim; half of this award was duplicative and the total judgment was reduced to one award of $220,000.

Judge Robert E. Keeton, on May 29, 1998, denied Mechtronics' motion for judgment as a matter of law. He

upheld the special verdict in relevant part and ruled that a reasonable jury could have found for Sign-A-Way on each of these two claims. In his judgment, the damages found by the jury were reasonable in light of the evidence before it. He also rejected Mechtronics' contention that the duty of good faith and candor to the PTO did not give rise to a duty of due respect for the interests of Stearns and Sign-A-Way.

Mechtronics appealed this award to the Federal Circuit, which asserted jurisdiction under 28 U.S.C. § 1295(a)(1) (1994). The Federal Circuit denied Sign-A-Way's motion to transfer the case to the First Circuit and also denied reconsideration of this motion.

On April 5, 2000, the Federal Circuit overturned both the jury verdict and the trial court's judgment, invalidating each of the two alternative state-law grounds. The Federal Circuit invalidated the jury verdict with respect to Mechtronics' breach of its duty of due respect for the interests of Stearns and Sign-A-Way. Without citing any authority drawn from this Court's preemption doctrine, the Federal Circuit held that "Sign-A-Way's state law claim based on Mechtronics' duty of candor and good faith before the PTO is preempted by federal patent law." *Sign-A-Way*, Appendix A at 9. The Federal Circuit based this incorrect conclusion on its interpretation of the state law claim as turning *exclusively* on Mechtronics' breach of its duty of good faith, set forth in 37 C.F.R. § 1.56(a) (1999); allowing such a claim, it held, would defeat federal patent law policy.

Without discussing its standard of review, the Federal Circuit also held that there was no evidence in the record to support the jury's finding that Mechtronics' breach of contract injured Stearns – despite the fact that such a ruling

would be appropriate only if no reasonable juror could have found such causation. Indeed, Judge Keeton considered this issue carefully upon Mechtronics' motion and concluded that:

> [P]laintiff presented sufficient evidence to the jury to allow a reasonable jury to award $200,000 in compensatory damages to plaintiff based on at least one of the theories of claim as to which the findings of the jury supported judgment for plaintiff. . . . The applicable law does not require that the court explore every possible train of thought that the jury might have followed as long as there was one train that it could have reasonably followed.

Sign-A-Way, 12 F. Supp. 2d at 151.

The basis for jurisdiction in the U.S. District Court was diversity/removal from the courts of the Commonwealth of Massachusetts.

REASONS FOR GRANTING THE WRIT

The Federal Circuit has acted to invalidate state law, in a traditional area of state jurisdiction, without authority from Congress.

1. The Federal Circuit incorrectly held that Massachusetts tort law is preempted by federal patent law.

Preemption of state law is a powerful tool whereby federal courts can guard their jurisdiction against related state-law doctrine. As Professor Tribe has noted, "the Supreme Court is therefore properly reluctant to find

preemption where Congress has been ambiguous," TRIBE LAURENCE, JR., AMERICAN CONSTITUTIONAL LAW, 1176 (3d ed., 2000); *See also* ROTUNDA RONALD, TREATISE ON CONSTITUTIONAL LAW § 12.4 (3d ed. 1999). The Court has recognized several different kinds of preemption: these include express preemption, in which Congress declares its intent to preclude state regulation; implied preemption, in which Congress implies preclusion of certain kinds of state regulation through the structure of its enactments; and conflict preemption, in which a particular state law stands in conflict with federal law or federal objectives. *See English v. General Electric Co.*, 496 U.S. 72, 78-79 (1990) (citations omitted).

Only implied preemption and conflict preemption are issues in the instant case, and neither brand of preemption precludes the state common law at issue, *see id.* Congress has not explicitly spoken to the question of whether federal patent law is intended to supplant any state regulation of duties of due respect for the interests of parties to a contract. Congress has also not preempted the field of possible patent-related claims: "State law is not displaced merely because the [disputed issue] relates to intellectual property that may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law." *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979).

In the instant case, the Federal Circuit aggrandized its own authority by engaging in a sweeping preemption analysis that claimed to invalidate legitimate Massachusetts tort law. The finding that Mechtronics breached a common-law duty owed to Sign-A-Way does not conflict with the purposes of federal patent law, and it also has not been impliedly preempted by an equivalent or duplicate right created by Congress.

a. Conflict preemption is not present, because the state law is not inconsistent with the objectives of federal law.

Allowing Sign-A-Way to recover under the Massachusetts law in question here is fully consistent with the objectives and purposes of the Congressional patent scheme. The relevant question for preemption purposes is whether "conflict preemption" exists: whether state tort law that allows recovery when a duty of due respect for another's interests is breached also frustrates one of the purposes of federal patent law as described in *Kewanee Oil Co. v. Bicron Corp., et al.*, 416 U.S. 470 (1973). The purposes of federal patent law, which must prevail over state purposes, were restated by the Court in *Aronson*:

> First, patent law seeks to foster and reward invention; second, it promotes disclosure of invention to stimulate further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public.

Aronson, 440 U.S. at 262; *see also Hunter Douglas, Inc. et al. v. Harmonic Design, Inc. et al.*, 153 F.3d 1318, 1333 (Fed. Cir. 1998) (cert. denied).

Enforcement of Mechtronics' duty to Stearns is not inconsistent with any of these three aims. Mechtronics had an oral contract with Stearns under which Stearns understood that her interests would be protected in Mechtronics' development of her invention. Protecting her rights under

this contract by enforcing Mechtronics' duty to Stearns and Sign-A-Way would affirmatively further the federal policies embodied in patent law; it would increase the incentive to invent and promote full and truthful disclosures concerning new inventions. Indeed, the state doctrine adds further strength to the federal policy of fostering and rewarding invention, as potential inventors – who may rely on development partners such as Mechtronics to negotiate a patent – will know that their interests are protected. Like the state unfair competition claim that the Federal Circuit upheld in *Dow Chemical Company v. Exxon Corporation, et al.*, 139 F.3d 1470, 1475 (Fed. Cir. 1998):

> It is difficult to fathom how such a state law cause of action could have any discernible effect on the incentive to invent, the full disclosure of ideas, or the principle that ideas in the public domain remain in the public domain.

See Id.

In the instant case, the Federal Circuit exceeded the bounds of its authority under *Aronson* by holding that allowing a judgment under the common law tort claim would defeat the policy of federal patent law by providing a duplicative state remedy for inequitable conduct before the PTO. The Federal Circuit failed to explain how a state doctrine that further encouraged the full and truthful disclosure of inventions, aiding one of the federal policies at stake, would be inconsistent with the purposes of federal patent law. Instead, the Federal Circuit labeled Sign-A-Way's valid state claim a "judicially disfavored"[2] collateral attack upon Mechtronics' patent. *Sign-A-Way*, Appendix A at 10. However, judicially concocted disfavor cannot overcome the complete absence of conflict between state law and the Congressional patent regime.

In fact, Congress has long since provided for a damage remedy for false or fraudulent representations to the PTO in 15 U.S.C. § 1120 (1994) as discussed in McCarthy Thomas, 5 McCarthy on Trademarks § 13:85, *et seq.* (4th ed. 2000). Since section 38 of the Lanham Act *see id.*, imposes upon a registrant civil liability to anyone damaged by a trademark registration obtained as a result of fraudulent statements or omissions, it is difficult to see why the damages awarded in the present case should run afoul of any federal policy.

In overturning the decision of the jury and reversing the ruling of the trial judge, the Federal Circuit did not correct an error of law at the trial level. It discarded the comparative advantage of a trial court to consider the various possibilities in a case that featured "intertwined legal and factual complexities," *Sign-A-Way*, 12 F. Supp. 2d at 134, and it impermissibly substituted its judgment for the judgment of the jury. Its judgment was infected by and actuated by its mistaken hostility to these state law claims.

The Federal Circuit's unwarranted preemption of the law of Massachusetts reflects a trend in the Federal Circuit toward an unnecessarily expansive view of its own power – even over claims which, though originating partially under the Lanham Act, are almost exclusively questions of state law on appeal. In addition to being substantively incorrect, the decision of the Federal Circuit in this case does nothing to advance the purposes for which it was created; namely, "to promote uniformity in the law with regard to subject matter within our exclusive appellate jurisdiction." *Midwest Industries, Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1359 (Fed. Cir. 1999). This Court should grant the writ of certiorari in order to prevent further Napoleonic assertions of power by the Federal Circuit in areas of the law that Congress never intended and to instruct the Federal Circuit in the proper principles of preemption.

CONCLUSION

For the foregoing reasons, this Court should grant the Petition for Writ of Certiorari.

Respectfully submitted,

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APPENDIX

APPENDIX A — DECISION AND JUDGMENT OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DATED AND DECIDED APRIL 5, 2000

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

98-1491

SIGN-A-WAY, INC.,

Plaintiff-Appellee,

V.

MECHTRONICS CORPORATION,

Defendant-Appellant.

DECIDED: April 5, 2000

Before MICHEL, RADER, and SCHALL, *Circuit Judges*.

SCHALL, *Circuit Judge*.

DECISION

Mechtronics Corporation ("Mechtronics") appeals from the final judgment of the United States District Court for the District of Massachusetts in favor of Sign-A-Way, Inc. ("Sign-A-Way") in Sign-A-Way's suit against Mechtronics. *Sign-A-Way, Inc. v. Mechtronics Corp.*, 12 F. Supp. 2d 132 (D. Mass. 1998). Sign-A-Way brought suit as the assignee

of Donna M. Stearns, its principal. The judgment awarded Sign-A-Way damages in the amount of $200,000, plus prejudgment interest in the amount of $20,000. The award was based on a jury verdict in favor of Sign-A-Way on two claims that Sign-A-Way asserted against Mechtronics. The first claim, based upon breach of contract, was that Mechtronics breached a promise to Ms. Stearns to name her as inventor on the patent application that Mechtronics filed that led to the issuance of U.S. Patent No. 5,529,274, titled "Sign Suspension System" (the " '274 patent"). The second claim was that, in failing to name Ms. Stearns as inventor on its patent application, Mechtronics violated the duty of candor and good faith in dealing with the Patent and Trademark Office ("PTO") that is imposed on patent applicants by 37 C.F.R. § 1.56, as well as a duty of due respect for the interests of Sign-A-Way and Ms. Stearns. The judgment also awarded Mechtronics damages in the amount of $1,000, plus prejudgment interest in the amount of $150, on Mechtronics' counterclaim of unjust enrichment against Sign-A-Way based on certain actions of Ms. Stearns. This award was the result of the district court having reduced the jury's original award to Mechtronics in the amount of $28,000, plus prejudgment interest.

For the reasons set forth below, we reverse the judgment in favor of Sign-A-Way on its claims; *vacate* the award of damages to Sign-A-Way; and *affirm* the judgment and award oil damages in favor of Mechtronics on its counterclaim. The case is *remanded* to the district court for entry of final judgment in accordance with this opinion.

Appendix A

DISCUSSION

I.

This case involves devices for allowing signage to be displayed from ceilings in retail stores. In its suit, originally filed in Massachusetts Superior Court, Sign-A-Way asserted against Mechtronics the state law claims of misappropriation of trade secrets, breach of contract, and unjust enrichment. After the case was removed to federal district court, Mechtronics answered and filed a counterclaim alleging the state law claim of unjust enrichment based upon theft of trade secrets and other valuable information by Ms. Stearns. In due course, Sign-A-Way amended its complaint to include additional claims against Mechtronics. Specifically, Sign-A-Way asserted that the '274 patent was invalid under 35 U.S.C. §§ 102(f) and (g) and 103. Sign-A-Way claimed that Donna Stearns was the actual inventor of the sign suspension system claimed in the '274 patent because she was the first to conceive of the system and reduce it to practice. It also claimed that the invention of the '274 patent was obvious in view of Ms. Stearns' earlier "Sign-A-Way" device. In addition, Sign-A-Way alleged that certain officers and employees of Mechtronics had practiced fraud on the PTO by falsely claiming, in the application that led to the '274 patent, that they were the inventors of the sign suspension system claimed in the patent, when in fact Ms. Stearns was the inventor. Finally, Sign-A-Way charged that Mechtronics had engaged in false and misleading advertising in violation of the Lanham Act, see 15 U.S.C. § 1125(a), by promoting its sign suspension system as "patented" when it knew that the '274 patent had been fraudulently obtained.

Eventually, Sign-A-Way's claims under sections 102 and 103 were dismissed under Fed. R. Civ. 12(b)(6) after Mechtronics represented that it would not seek to enforce the '274 patent against Ms. Stearns and that it had submitted a petition of correction of inventorship to the PTO to list Ms. Stearns as an inventor on the patent. Thereafter, Sign-A-Way's remaining claims and Mechtronics' counterclaim were tried before a jury in the district court. As noted above, the jury found for Sign-A-Way on two of its claims against Mechtronics and awarded Sign-A-Way damages in the amount of $200,000, plus prejudgment interest. In addition, the jury awarded Mechtronics $28,000, plus prejudgment interest on its unjust enrichment counterclaim, with $1,000 of the award being duplicative of damages sustained by Mechtronics for Sign-A-Way's unauthorized use of a microchip owned by Mechtronics. The jury found that Sign-A-Way had been unjustly enriched by the actions of Ms. Stearns in having Selectronics, Inc. ("Selectronics") create prototypes for sign display devices that were based upon a Mechtronics device that Ms. Stearns had removed from the "Pet Supply Depot," a store in North Haven, Connecticut.

Following the jury's verdict, both parties moved for judgment as a matter of law ("JMOL") under Fed. R. Civ. P. 50(b). The court denied Mechtronics' JMOL motion in all respects, but granted Sign-A-Way's corresponding motion. *See Sign-A-Way*, 12 F. Supp. 2d at 161-62. In so doing, the court vacated the jury's award of damages to Mechtronics based on the harm caused to Mechtronics by Ms. Stearns having provided Selectronics with the Mechtronics signage device from the Pet Supply Depot. *See id.* at 156. The court, however, let stand the award to Mechtronics of damages in

the amount of $1,000 for Sign-A-Way's unauthorized use of the Mechtronics microchip. *See id.* at 160. Based upon its JMOL rulings, the court entered final judgment as noted above. *See id.* at 161-62. Mechtronics now appeals.

II.

As a preliminary matter, Sign-A-Way challenges our jurisdiction in this case; it contends that Mechtronics should have appealed to the First Circuit instead of this court. After Mechtronics appealed, Sign-A-Way filed a motion to transfer the case to the First Circuit. After the motion was denied by a motions panel, see *Sign-A-Way, Inc. v. Mechtronics Corp.*, No. 98-1491 (Fed. Cir. Apr. 7, 1999) (order), Sign-A-Way sought reconsideration, which was denied. *See Sign-A-Way, Inc. v. Mechtronics CPM.*, No. 98-1491 (Fed. Cir. Aug. 16, 1999). We see no reason to disturb these earlier rulings on the jurisdictional issue.

We have jurisdiction to hear this appeal under 28 U.S.C. § 1295(a)(1). As mentioned above, in its Lanham Act claim, Sign-A-Way asserted that Mechtronics had engaged in false or misleading advertising by stating that its sign suspension system was "patented." The issue of the validity of the '274 patent thus lay at the core of Sign-A-Way's Lanham Act claim. The claim "necessarily depend[ed] on resolution of a substantial question of patent law." *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809, 7 USPQ2d 1109, 1113 (1988). It therefore arose under 35 U.S.C. § 1338(a), thus giving us appellate jurisdiction under 28 U.S.C. § 1295(a)(1). *See Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1328-29, 47 USPQ2d 1769, 1777-78

(Fed. Cir. 1998), *overruled in part on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1360-61, 50 USPQ2d 1672, 1675-76 (Fed. Cir. 1999) (en banc in part).

III.

Turning to the merits, we address first Mechtronics' challenge to the district court's denial of its JMOL motion on the issue of whether Mechtronics breached a promise to Ms. Stearns to name her as an inventor on the application that led to the '274 patent. Mechtronics argues that it was entitled to JMOL because Sign-A-Way failed to present any evidence at trial linking the alleged breach of the promise to damages suffered by Ms. Stearns. We agree.

In order to be entitled to damages for breach of contract, a plaintiff must establish that it suffered harm as a result of the defendant's actions. *See Spring v. Geriatric Auth. of Holyoke*, 475 N.E.2d 727, 736 (Mass. 1985); *Calig v. Schrank*, 426 A.2d 276, 278 (Conn. 1979) ("It is hornbook law that to be entitled to damages in contract a plaintiff must establish a causal relationship between the breach and the damages flowing from that breach.").[1] Here, none of the

1. A federal district court must apply the choice-of-law rules of the state in which it sits for state law questions. See *Klaxon Co. v. Stentor Elec. Mfg. Co.*, 313 U.S. 487, 496-97 (1941). Massachusetts, where the district court sat in this action, has adopted a "functional" approach to choice-of-law issues, emphasizing the "interests of the parties, the States involved, and the interstate system as a whole." *Bushkin Assocs., Inc. v. Raytheon Co.*, 473 N.E.2d (Cont'd)

theories or evidence offered in the district court established such a causal link. Sign-A-Way argues that if Ms. Stearns had been named as an inventor on the '274 patent's application, she could have blocked the application and demanded compensation by refusing to sign the application's accompanying Joint Declaration and Power of Attorney. The premise of this argument is flawed, however. Under 35 U.S.C. § 116, if a joint inventor refuses to sign, or is unable to sign, an application, the application still can be filed with a factual showing of the omitted inventor's refusal or inability to sign and notice of that refusal or inability to sign. *See, e.g., Pannu v. Iolab Corp.*, 155 F.3d 1344, 1349 n.3, 47 USPQ2d 1657, 1661 n.3 (Fed. Cir. 1998). Sign-A-Way failed to establish a link between Mechtronics' breach of its promise to Ms. Stearns and any damages suffered by Ms. Stearns because, regardless of Mechtronics' breach, section 116 would have prevented Ms. Stearns from blocking the application. Despite Mechtronics' actions, Ms. Stearns had

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(Cont'd)
662, 668 (Mass. 1985). Under the functional approach, as between two states, the forum applies the substantive law of the state which has the more significant relationship to the transaction in litigation. *See id.* at 669-70.

Here, Mechtronics is a Connecticut-based corporation while Sign-A-Way is a Massachusetts-based corporation. Some of the events at issue took place in Connecticut, while others occurred in Massachusetts. A choice of law question thus presents itself. A court need not resolve a choice of law question, however, if the outcome of the legal issue presented is the same under the substantive law of either jurisdiction involved. *See Cohen v. McDonnell Douglas Corp.*, 450 N.E.2d 581, 584 (Mass. 1983). That is the case here. On the matters at issue Connecticut and Massachusetts law do not differ.

no leverage to compel Mechtronics to provide her with compensation in exchange for her signature on the '274 patent's application.

Sign-A-Way also proffers the theory that Mechtronics' breach of its promise to Ms. Stearns allowed Mechtronics to file its patent at an "early stage," and thus block any patent on a sign suspension device that Ms. Stearns or Sign-A-Way may have tried to obtain. Without such a patent, Sign-A-Way contends, it and Ms. Stearns could not realize the profits that sale of a sign suspension device on an exclusive basis would have generated. However, there was nothing preventing Ms. Stearns from either (i) filing for her own patent, which she did in 1996; (ii) filing a protest regarding Mechtronics' application with the PTO under 37 C.F.R. § 1.291 alleging fraud or incorrect inventorship, *see, e.g., In re Smith*, 714 F.2d 1127, 1129 n.3, 218 USPQ 976, 978 n.3 (Fed., Cir. 1983) (noting the role of a protester under 37 C.F.R. § 1.291); or (iii) filing suit in federal district court under 35 U.S.C. § 256 for correction of inventorship of the '274 patent, *see e.g., Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 1461, 45 USPQ2d 1545, 1548 (Fed. Cir. 1998). In addition, Sign-A-Way has not cited any evidence in the record indicating what type or kind of patent Ms. Stearns planned to seek before Mechtronics applied for the '274 patent.

Finally, Sign-A-Way points to the testimony of Michael Hoffman, its expert on damages. According to Mr. Hoffman, Sign-A-Way, if it had sold the sign suspension device from 1994 to 1997, would have realized revenues of $300,000 for 1994, $1,800,000 for 1995, $3,000,000 for 1996, and

$5,250,000 for 1997, with a net profit in the range of 15% to 25% on these revenues. Sign-A-Way argues that Ms. Stearns would have patented and marketed the sign suspension device herself had she not been promised inventorship and relied on that promise. As just noted, however, there is no evidence of record that Ms. Stearns was pursuing her own patent on a motorized sign suspension device before she met Mechtronics. The very reason Ms. Stearns went to Mechtronics was for assistance in motorizing her device. Ms. Stearns even testified that she believed, at the time she starting talking with Mechtronics, that her sign suspension device was not ready for patenting. Thus, the testimony of Mr. Hoffman as to how much money Ms. Stearns would have made had she marketed a motorized sign suspension device starting in 1994 is disconnected from Ms. Stearns' reliance on Mechtronics' promise. Regardless of Mechtronics' promise, and Ms. Stearns' reliance on that promise, there is no evidence in the record that Ms. Stearns would have pursued either patenting or manufacturing a motorized sign suspension device on her own. In sum, there is no evidence in the record relating to any of the theories advanced by Sign-A-Way in the district court that supports a finding of causation and the jury's award of damages based on Mechtronics' breach of its promise to Ms. Stearns.

IV.

The jury found that Mechtronics, in prosecuting the '274 patent's application, breached its duty of good faith and candor before the PTO, as described in 37 C.F.R. § 1.56, and that this breach "also violat[ed] Mechtronics' duty of due respect for interests of Sign-A-Way and Donna Stearns."

Sign-A-Way, 12 F. Supp. 2d at 140. The jury concluded that Sign-A-Way should be compensated for Mechtronics' violation of its duty to Sign-A-Way and Ms. Stearns, through its lack of candor and good faith in dealing with the PTO. *See id.* at 142. The district court denied Mechtronics' motion for JMOL on this issue, finding that nothing in the jury's findings presented "any decisive question of law." *Id.* at 152-53. Mechtronics argues that Sign-A-Way's state law claim based solely on Mechtronics' duty of candor and good faith before the PTO is preempted by federal patent law. Sign-A-Way responds that its state law tort claim is not preempted because the state law claim contains extra elements beyond a mere finding of inequitable conduct.

Sign-A-Way's state law claim based on Mechtronics' duty of candor and good faith before the PTO is preempted by federal patent law. The breach of Mechtronics' duty to Sign-A-Way turns exclusively on Mechtronics' breach of its duty of candor and good faith described in 37 C.F.R. § 1.56. The special verdict form hinged the violation of "Mechtronics' duty of due respect for interests of Sign-A-Way and Donna Stearns" on a finding of a violation of Mechtronics' "duty of candor and good faith in dealing with the Patent Office." *Sign-A-Way*, 12 F. Supp. 2d at 140. Allowing a claim, such as this, whose liability component is based solely on a violation of the standard defined in 37 C.F.R. § 1.56, would defeat federal patent law policy by providing a duplicate remedy for inequitable conduct at the state level. Federal patent law already provides an avenue of relief for Mechtronics' alleged misconduct, unenforceability of the patent, see 35 U.S.C. § 282, and attorney fees in an exceptional case, see 35 U.S.C. § 285.

Appendix A

The case before us is similar to *Abbott Laboratories v. Brennan*, 952 F.2d 1346, 1355-57, 21 USPQ2d 1192, 1199-1201 (Fed. Cir. 1991), in which we held that a state law abuse of process claim, based solely on allegations that the patentee engaged in inequitable conduct, was preempted by federal patent law. Here, as in *Abbott Laboratories*, 952 F.2d at 1356-57, 21 USPQ2d at 1199-200, Sign-A-Way is attempting to collaterally attack Mechtronics' action before the PTO, which, as noted in *Abbott Laboratories*, is judicially disfavored. *See, e.g., Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, Nos. 98-1377, 99-1103, — F.3d —, 2000 WL 233253, *13-14 (Fed. Cir. Mar. 2, 2000) (holding that New Jersey RICO claims based on inequitable conduct are preempted by federate patent law because the state law RICO claims ("occupy a field identical in scope with the inequitable conduct defense").

V.

Finally, Mechtronics argues that the district court erred in granting JMOL in favor of Sign-A-Way on Mechtronics' claim of unjust enrichment based upon Ms. Stearns having provided Selectronics with the Mechtronics signage device taken from the Pet Supply Depot. The district court concluded that, although Mechtronics was harmed by Ms. Stearns' actions, there was no evidence of a benefit received by Sign-A-Way from these actions. Mechtronics asserts that equity forces compensation for the benefit Sign-A-Way received through Selectronics' development of prototypes based on copies of the Pet Supply Depot device Ms. Stearns took from Mechtronics.

A finding of unjust enrichment requires a finding of "unjust enrichment of one party and unjust detriment to the other party." *Salmon v. Terra*, 477 N.E.2d 1029, 1031 (Mass. 1985); *National CSS, Inc. v. Stamford*, 489 A.2d 1034, 1041 (Conn. 1985). The jury determined only that Mechtronics suffered a loss or detriment "by Donna Stearns' making the arrangement she made with Selectronics for developing and making a model." *Sign-A-Way*, 12 F. Supp. 2d at 143. In ruling on Sign-A-Way's JMOL motion, the district court correctly pointed out that there was no specific jury finding of a benefit to Sign-A-Way due to Ms. Stearns' conduct in making arrangements for Selectronics to develop and make a sign suspension model. Thus, the district court made a fact finding of no benefit to Sign-A-Way, a finding that it was empowered to make because the question was not submitted to the jury in the special verdict form, and Mechtronics did not object to the question not being presented to the jury. See Fed. R. Civ. P. 49(a); *Paydon v. Abbott Labs.*, 780 F.2d 147, 151 (1st Cir. 1985).[2] Fact findings by a trial judge are reviewed under a clearly erroneous standard, reversible only if a court, on the entire evidence of record, is left with the firm conviction that a mistake has been committed. *See United States v. Freeman*, 176 F.3d 575, 578 (1st Cir. 1999). Here, we are not left with such a conviction.

For the forgoing reasons, the district court's judgment in favor of Sign-A-Way on its claims against Mechtronics is *reversed and* the award of damages to Sign-A-Way is

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2. With regard to purely procedural issues, such as this one, this court applies the law of the regional circuit in which the district court sits. *See Midwest Indus.*, 175 F.3d at 1359, 50 USPQ2d at 1675.

vacated. The district court's limited judgment in favor of Mechtronics on its counter-claim against Sign-A-Way is affirmed. The case *is remanded* to the court for entry of final judgment in favor of Mechtronics in accordance with this opinion.

Each party shall bear its own costs.

Appendix A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

98-1491

SIGN-A-WAY, INC.,

Plaintiff-Appellee,

V.

MECHTRONICS CORPORATION,

Defendant-Appellant.

Judgment

ON APPEAL from the UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

in CASE NO(S). 96-CV-10705

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED: ***AFFIRMED-IN-PART, REVERSED-IN-PART, VACATED-IN-PART,*** and ***REMANDED***

Appendix A

ENTERED BY ORDER OF THE COURT

DATED APR 05 2000

s/ Jan Horbaly
Jan Horbaly, Clerk

ISSUED AS A MANDATE: April 26, 2000

APPENDIX B — OPINION AND AMENDED FINAL JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS DATED AND DECIDED MAY 29, 1998

SIGN-A-WAY, INC.,

Plaintiff

v.

MECHTRONICS CORPORATION,

Defendant

CIVIL ACTION NO. 96-10705-REK

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

May 29, 1998, Decided

* * *

JUDGES: Robert E. Keeton, United States District Judge.

OPINION BY: Robert E. Keeton

OPINION: Opinion

May 29, 1998

Keeton, District Judge.

Appendix B

I. Procedural Summary

After extensive pretrial hearings and rulings, which reduced to some extent the scope of the issues for trial, this case proceeded through jury trial commencing on March 16, 1998 and concluding with a Verdict on April 3, 1998. On April 8, 1998, the court held hearings regarding the form of the judgment, and ordered judgment for declaratory relief and monetary damages as found by the jury.

Now before the court are the following post-verdict motions:

(1) Mechtronics Corporation's Post-Verdict Motion for Judgment as a Matter of Law or, Alternatively, to Alter or Amend the Judgment (Docket No. 113, filed April 22, 1998), with supporting submissions (Docket Nos. 114, 115). Sign-A-Way's opposing positions are set forth in its post-verdict motions and submissions identified in the next paragraph below.

(2) Sign-A-Way's Renewed Motion for Judgment as a Matter of Law and Motion to Alter or Amend the Judgment (Docket No. 117, filed April 23, 1998) and Sign-A-Way's Alternative Motion for Setoff of Judgments (Docket No. 116), with supporting submission (Docket No. 118). Mechtronics filed an opposition (Docket No. 121, filed May 7, 1998).

The intertwined legal and factual complexities of this case made it infeasible to try the case to general verdict. Instead, the court submitted only special questions to the

jury under Rule 49(a) of the Federal Rules of Civil Procedure. The judgment of April 8, 1998, awarding some relief to each party and rejecting other contentions of each party, recites each of the answers of the jury that the court concluded on April 8 were relevant to terms of the judgment.

For the reasons explained in Parts IV-V of this opinion, I conclude that the Judgment of April 8 awarding damages to Mechtronics on its counterclaim must be vacated, and an Amended Judgment making a lower award on the counterclaim will be ordered.

As background for explaining the court's rulings on the post-verdict motions now pending, Part II of this opinion recites the terms of the Judgment of April 8, 1998, including quoted portions of the verdict.

II. The Judgment of April 8, 1998

The entire terms of the judgment, excluding only the caption, were as follows:

Plaintiff's Amended and Restated Complaint sought injunctive relief, declaratory relief, compensatory damages, punitive damages, attorneys fees, and an accounting of defendant's use of plaintiff's alleged "invention." After court rulings in pretrial proceedings, plaintiff's numerous theories of claim remaining at the beginning of trial proceedings included a federal law claim of violation of the Lanham Act for false or misleading advertisement and promotion; Massachusetts state-law claims of breach of contract, misappropriation of trade secrets, unjust enrichment,

conversion, interference with advantageous relations, damage to reputation, and fraud; and claims under the law of Connecticut of unfair competition and violation of the Connecticut Unfair Trade Practices Act.

Defendant, in counterclaims, asserted Massachusetts state-law claims for injunctive relief; "damages, together with interest, costs, and attorneys' fees;" double damages as to one of the asserted counterclaims; conversion; misappropriation of trade secrets and other proprietary information; and unjust enrichment.

The court submitted to the jury factual issues, by questions under Rule 49(a) of the Federal Rules of Civil Procedure, bearing upon the claims and counterclaims remaining for trial. On April 3, 1998, the jury returned a verdict that, in material part, was as follows:

> I. WHAT WAS KNOWN, SAID, AND DONE AT VARIOUS IDENTIFIED TIMES
>
> A. Promises of Mechtronics to Keep Disclosures of Donna Stearns Confidential
>
> 1. Defendant does not dispute that Christopher Anderson, Vice President of Mechtronics, at the meeting of January 1994, promised to keep confidential all disclosures made by Donna Stearns during that meeting and in their further dealings with each other as to which you have heard evidence in this case.

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Did Donna Stearns, acting in reliance on that promise, provide to Mechtronics during or after that meeting one or more of the following?

(1) A mechanical model of a self-leveling sign hanging device?

X YES NO

(2) A photograph of the self-leveling sign hanging device?

X YES NO

(3) A patent disclosure statement?

X YES NO

(4) An explanation as to how the self-leveling sign hanging device functioned?

X YES NO

(5) Her opinion that there was a marketplace need for self-leveling sign hanging devices?

X YES NO

2. Defendant does not dispute that, at the January 1994 meeting or later, Donna Stearns disclosed to Mechtronics, either orally, or by presentation of a model, photograph or patent

disclosure, a device that consisted of one or more of the following characteristics:

(1) A device to raise and lower a sign from a ceiling.

(2) A device to raise and lower a sign that was self-leveling (i.e., the sign would remain level at all times).

(3) A device for suspending signs containing a sign holder to hold the sign.

(4) A device for suspending signs containing a sign holder where the sign holder's sheaves are spaced equidistantly from their respective ends.

(5) A cord supporting the sign holder.

(6) A drum from which the cord would wind and unwind thereby raising or lowering the sign.

(7) A cord which supports the sign holder that runs from a fixed point on the ceiling to a drum.

(8) A device for suspending signs containing a sign holder where the distance between the sign holder's sheaves and the cord-attaching unit and drum are the same.

(9) Two pulleys attached to the sign holder through which the cord runs.

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Did Donna Stearns also disclose to Mechtronics, either orally or by a presentation of a model, photograph, or patent disclosure:

(10) A motorized means to turn the drum and thereby wind and unwind the cord to raise and lower the sign?

X YES NO

(11) A remote control device to activate the motor to turn the drum, thereby winding and unwinding the cord to raise and lower the sign?

X YES NO

B. Intent of Mechtronics and Reliance by Donna Stearns

Defendant does not dispute

(1) that Mechtronics promised, in the letter dated February 7, 1994, to keep confidential the disclosures to Mechtronics that were made by Donna Stearns, before and after as well as on February 7, 1994, and

(2) that an ordinarily prudent person in Donna Stearns' circumstances would have relied upon that promise.

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3(a). Did Donna Stearns rely on that promise?

X YES NO

If YES to 3(a), go to 3(b)-(d). Otherwise, skip 3(b)-(d).

3(b). Do you find that a representative of Mechtronics, at the time of making such a promise to Donna Stearns, did not then intend and expect that Mechtronics would keep that promise?

(1) Oral promise by Christopher Anderson?

We find by a preponderance of the evidence that plaintiff has met its burden of proving that Anderson did not then intend and expect that Mechtronics would keep the promise

X We find that plaintiff failed to meet its burden

(2) Oral promise by Richard Fellinger?

We find by a preponderance of the evidence that plaintiff has met its burden of proving that Fellinger did not then intend and expect that Mechtronics would keep the promise

X We find that plaintiff failed to meet its burden

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(3) Promise in the February 7, 1994 Letter?

We find by a preponderance of the evidence that plaintiff has met its burden of proving that Fellinger, at the time of signing the letter, did not then intend and expect that Mechtronics would keep the promise

X We find that plaintiff failed to meet its burden

3(c). At a later time (after the promise was made) did a representative of Mechtronics decide that Mechtronics did not at that later time then intend and expect that Mechtronics would keep the promise?

We find by a preponderance of the evidence that plaintiff has met its burden of proving that at a later time a representative of Mechtronics then intended that Mechtronics would not keep the promise

We find by a preponderance of the evidence that plaintiff has met its burden of proving that at a later time a representative of Mechtronics then expected that Mechtronics would not keep the promise

X We find that plaintiff failed to meet its burden

3(d). Did any person acting for Mechtronics tell Donna Stearns, at either the January or the

February/March 1994 meeting, that Mechtronics did not intend to keep confidential the disclosures she made?

(1) As to Christopher Anderson?

X We find by a preponderance of the evidence that plaintiff has met its burden of proving that Anderson did not tell Donna Stearns that Mechtronics did not intend to keep confidential the disclosures she made

We find that plaintiff failed to meet its burden

(2) As to Richard Fellinger?

X We find by a preponderance of the evidence that plaintiff has met its burden of proving that Fellinger did not tell Donna Stearns that Mechtronics did not intend to keep confidential the disclosures she made

We find that plaintiff failed to meet its burden

(3) As to any other person?

X We find by a preponderance of the evidence that plaintiff has met its burden of proving that no other person acting for Mechtronics told Donna Stearns that Mechtronics did not intend to keep confidential the disclosures she made

We find that plaintiff failed to meet its burden

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C. Compliance or Breach

4(a). Did Mechtronics, without the manifested consent (express or implied in fact) of Donna Stearns, reveal to at least one other person, or entity, material information contained in one or more of the disclosures by Donna Stearns to Mechtronics regarding the Self-Leveling Sign Hanging Device?

X YES NO

If YES to 4(a), go to 4(b)-(e). Otherwise, skip 4(b)-(e).

4(b). Did Mechtronics' conduct in revealing material information contained in one or more of the disclosures of Donna Stearns cause harm to Sign-A-Way?

YES X NO

4(c). To which, if any, of the following did Mechtronics reveal material information contained in one or more of the disclosures by Donna Stearns?

(1) Arthur Torrence

X YES NO

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(2) Cary Cieciuch

X YES NO

(3) The Patent and Trademark Office in the 1995 application

X YES NO

(4) The Patent and Trademark Office in the 1996 application

YES X NO

4(d)(1). After Mechtronics revealed to one or more of the persons or office identified in 4(c), did Donna Stearns learn that Mechtronics had revealed and what Mechtronics had revealed, and to whom?

X YES NO

If YES to 4(d)(1), go to 4(d)(2) and (3). Otherwise, skip 4(d)(2) and (3).

4(d)(2). Did Donna Stearns manifest consent (express or implied in fact) to what Mechtronics had revealed?

X YES NO

4(d)(3). Did Donna Stearns know that Mechtronics was taking additional steps to

proceed with development of the Self-Leveling Sign Hanging Device?

X YES NO

4(e). As to the disclosures about the Self-Leveling Sign Hanging Device provided by Donna Stearns to Mechtronics.

(1) were all of them otherwise known to Mechtronics?

YES, we find by a preponderance of the evidence

X NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(2) were all of them generally known?

YES, we find by a preponderance of the evidence

X NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(3) were any of them both (i) not previously known to Mechtronics and (ii) usable in the operation of a business or other enterprise?

X YES, we find by a preponderance of the evidence

NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(4) were any of them both (i) not previously known to Mechtronics and (ii) sufficiently valuable and secret to afford an actual or potential economic advantage over others?

X YES, we find by a preponderance of the evidence

NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(5) were any of them both (i) not previously known to Mechtronics and (ii) of measurable benefit to Mechtronics?

X YES, we find by a preponderance of the evidence

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NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

D. Trade Secrets

5. This question concerns care in protecting confidential information about the Self-Leveling Sign Hanging Device.

5(a). Did Donna Stearns violate the standard of due respect for the interests of Mechtronics to protect secrecy and avoid disclosure to persons and entities other than Mechtronics of the information about the Self-Leveling Sign Hanging Device that she disclosed to Mechtronics after receiving a promise of confidentiality from Mechtronics?

(1) X We find by a preponderance of the evidence that she made disclosures to persons or entities other than Mechtronics that a reasonable person in her circumstances would not have made

(2) We find by a preponderance of the evidence that any disclosures she made to persons or entities other than Mechtronics were made in circumstances in which a reasonable person would have felt free to make them

(3) We unanimously find no preponderance of the evidence on this matter

If in answering 5(a) you checked 5(a)(1) or 5(a)(3), go to 5(b). Otherwise, skip 5(b).

5(b). Did Donna Stearns' disclosures in violation of the standard of due respect to protect secrecy of confidential information she had disclosed to Mechtronics cause loss to Mechtronics?

YES X NO

E. Concerning Unjust Enrichment

6(a). Did Mechtronics attempt to use for its own benefit the disclosures Donna Stearns made to Mechtronics concerning the Self- Leveling Sign Hanging Device in one or more of the following ways?

(1) In making the 1995 patent application

X YES NO

(2) In making the 1996 patent application

YES X NO

(3) In one or more other ways

X YES NO

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If YES to any part of 6(a), go to the corresponding part of 6(b). Otherwise, skip 6(b).

6(b). Did Mechtronics do so without the consent of Donna Stearns (express or implied in fact)?

(1) As to the 1995 patent application

X We find by a preponderance of the evidence that Mechtronics did not have the consent of Donna Stearns

We find by a preponderance of the evidence that Mechtronics did have the consent of Donna Stearns

We unanimously find no preponderance of the evidence on this matter

(3) In one or more of other ways

X We find by a preponderance of the evidence that Mechtronics did not have the consent of Donna Stearns

We find by a preponderance of the evidence that Mechtronics did have the consent of Donna Stearns

We unanimously find no preponderance of the evidence on this matter

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7(a). Did Mechtronics understand the benefit of the disclosures made by Donna Stearns to Mechtronics concerning the Self-Leveling Sign Hanging Device?

X We find by a preponderance of the evidence that Mechtronics did understand

We find by a preponderance of the evidence that Mechtronics did not understand

We unanimously find no preponderance of the evidence on this matter

7(b). Did Mechtronics in fact obtain a benefit from the disclosures Donna Stearns made to Mechtronics concerning the Self-Leveling Sign Hanging Device?

X We find by a preponderance of the evidence that Mechtronics in fact did obtain a benefit

We find by a preponderance of the evidence that Mechtronics in fact did not obtain a benefit

We unanimously find no preponderance of the evidence on this matter

F. Contacts in the Industry

8(a). Did Donna Stearns

(1) have a business relationship or contemplated business relationship of economic

benefit with persons or entities in a business in which the Self-Leveling Sign Hanging Device would be useful?

X YES, we find by a preponderance of the evidence

NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(2) advise Mechtronics of those business relationships or contemplated business relationships?

X YES, we find by a preponderance of the evidence

NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

8(b). Did Mechtronics, by application for a patent on a Self-Leveling Sign Hanging Device, interfere with Donna Stearns' business relationships and contemplated business relationships?

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Check in only one of the following five blanks to express your unanimous finding of knowing, reckless, or negligent interference, or your unanimous finding that Sign-A-Way has not met its burden of proving knowing, reckless, or negligent interference.

(1) YES, knowingly, we find by a preponderance of the evidence

(2) YES, recklessly, we find by a preponderance of the evidence

(3) YES, negligently, we find by a preponderance of the evidence

(4) X NO, we find by a preponderance of the evidence

(5) We unanimously find that there is no preponderance of the evidence

8(c). Did Mechtronics in a way or ways other than applying for a patent, interfere with Ms. Stearns' potential customers of the Self-Leveling Sign Hanging Device?

Check in only one of the following five blanks to express your unanimous finding of knowing, reckless, or negligent interference, or your unanimous finding that Sign-A-Way has not met its burden of proving knowing or negligent interference.

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(1) X YES, knowingly, we find by a preponderance of the evidence

(2) YES, recklessly we find by a preponderance of the evidence

(3) YES, negligently we find by a preponderance of the evidence

(4) NO, we find by a preponderance of the evidence

(5) We unanimously find that there is no preponderance of the evidence

G. Applications to the Patent Office — 1995 and 1996 (Alleged Promise to Name Donna Stearns as Inventor

9(a). Did Mechtronics make a promise to Donna Stearns that you find to be applicable to either or both of the 1995 and 1996 applications, in which part of the promise was that Mechtronics would list her as inventor:

(1) with respect to the 1995 application?

X YES NO

(2) with respect to the 1996 application?

YES X NO

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If YES to either part of 9(a), go to the same part of 9(b). Otherwise, skip 9(b).

9(b). Did Donna Stearns rely on Mechtronics' promise to list her as inventor,

(1) with respect to the 1995 application?

X YES NO

If YES to either part of 9(b), go to the same part of 9(d). Otherwise, skip 9(d).

9(c). In the circumstances occupied by Donna Stearns, would an ordinarily prudent person have relied upon the promise to list her as inventor

(1) by Christopher Anderson?

X YES, we find by a preponderance of the evidence

NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(2) by Richard Fellinger?

X YES, we find by a preponderance of the evidence

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NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(3) in the February 7, 1994 Letter?

YES, we find by a preponderance of the evidence

X NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

9(d). Did Mechtronics break its promise to list her as inventor,

(1) with respect to the 1995 application?

X YES NO

H. Standard of Conduct (Mechtronics)

10(a). An administrative regulation, 37 Code of Federal Regulations, § 1.56, entitled "Duty to disclose information material to patentability," prescribes a "duty of candor and good faith in dealing with" the Patent and Trademark Office in submitting an application. Did Mechtronics

violate the duty of candor and good faith in dealing with the Patent Office in

(1) making the 1995 application?

X YES NO

(2) making the 1996 application?

YES X NO

If YES to any part of 10(a), go to the corresponding part of 10(b). Otherwise, skip 10(b).

10(b). Was Mechtronics' conduct also a violation of Mechtronics' duty of due respect for interests of Sign-A-Way and Donna Stearns and was that conduct a cause of loss to them?

(1) Was submitting the 1995 application: (i) a violation of duty to Sign-A-Way and Donna Stearns?

X YES NO

(ii) a cause of loss to Sign-A-Way and Donna Stearns?

X YES NO

10(c). After Mechtronics made the 1995 application and Donna Stearns learned that

Mechtronics had done so and learned about its content, did she manifest consent (express or implied in fact) to Mechtronics having made that application and to its content?

X YES NO

10(d). After Mechtronics made the 1996 application and Donna Stearns learned that Mechtronics had done so and learned about its content, did she manifest consent (express or implied in fact) to Mechtronics having made that application and to its content?

YES X NO

I. Mechtronics' Display at Trade Show of 1996

11(a). Was the display of a model of the Self-Leveling Sign Hanging Device by Mechtronics

(1) with the word "patented" likely to deceive or mislead potential purchasers?

X YES NO

(2) with a sign stating that it was patented likely to cause confusion among potential purchasers concerning Sign-A-Way's and Mechtronics' rights and the rights of ownership of the device?

X YES NO

(3) with a sign stating that it was patented likely to cause confusion among potential purchasers as to the origin of the sign suspension device?

X YES NO

11(b). Did Mechtronics

(1) make false representations as to the origin of the sign suspension device

YES X NO

If YES to 11(b)(1), answer 11(b)(2). Otherwise, skip 11(b)(2).

J. Mitigation

12(a). Did Donna Stearns believe before filing this civil action that Mechtronics was attempting to misappropriate the information she had disclosed to Mechtronics?

X YES NO

If YES to 12(a), go to 12(b). Otherwise, skip 12(b).

12(b). Do you find that Donna Stearns had not formed this belief, before she arranged for removal of the model in the Pet Supply store?

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(1) X We find by a preponderance of the evidence that she did not form this belief until later

(2) We find by a preponderance of the evidence that she had formed this belief before she arranged for removal of the model in the Pet Supply store

(3) We unanimously find no preponderance of the evidence

II. DAMAGES AWARDS, IF ANY, FOR SIGN-AWAY AGAINST MECHTRONICS

If YES to I.3(a) and I.4(a), answer II.1 Otherwise, skip II.1.

1. This question concerns alleged harm caused. What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any harm, as defined in the court's Charge, caused by Mechtronics' revealing information disclosed to it by Donna Stearns. Answer in DOLLARS or NONE.

(a) Revealing to the Patent Office

(1) In the 1995 application

$ NONE

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(2) In the 1996 application

$ NONE

(b) Revealing to others

(1) Arthur Torrence

$ NONE

(2) Cary Cieciuch

$ NONE

If you have answered more than one of the above parts of II.1 with a DOLLAR AMOUNT, go to 1(c). Otherwise, skip 1(c).

If YES to any part of I.6(a), go to the corresponding part of II.2. Otherwise, skip II.2.

2. This question concerns alleged unjust enrichment. What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for misappropriation in one or more of the following ways? Answer in DOLLARS or NONE.

2(a). Making a patent application

(1) In making the 1995 application

$ NONE

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(2) In making the 1996 application

$ NONE

2(b). In one or more other ways

$ NONE

If you have answered one or more parts of II.2 with a DOLLAR amount, go to 2(c). Otherwise, skip 2(c).

If YES to any part of 8(b), or in answer to 8(b) you checked "we find no preponderance," go to II.3. Otherwise, skip II.3.

3. This question concerns alleged interference with advantageous relationships by making applications to the Patent Office.

3(a). What amount of money, if any, is needed to compensate Sign-A-Way for losing established customers and not gaining new customers, caused by Mechtronics' making application to the Patent Office? Answer in DOLLARS or NONE.

(1) In making the 1995 application

$ NONE

(2) In making the 1996 application

$ NONE

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If you have answered either part of II.3(a) with a DOLLAR AMOUNT, go to 3(b). Otherwise, skip 3(b).

If YES to any part of 8(c), or in answer to 8(c) you checked "we find no preponderance," go to II.4. Otherwise, skip II.4.

4. This question concerns alleged interference with advantageous relationships in ways other than making applications to the Patent Office.

4(a). What amount of money, if any, is needed to compensate Sign-A-Way for loss of established customers or not gaining new customers, caused by conduct of Mechtronics other than making applications to the Patent Office? Answer in DOLLARS or NONE.

$ NONE

If you have answered II.4(a) with a DOLLAR AMOUNT, go to 4(b). Otherwise, skip 4(b).

If YES to either part of I.9(b), go to the corresponding part of II.5. Otherwise, skip II.5.

5(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for harm, if any, that Mechtronics' failure to list her as inventor caused? Answer in DOLLARS or NONE.

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(1) With respect to the 1995 application

$ 200,000.00

(2) With respect to the 1996 application

$ NONE

If you have answered either part of 5(a) with a DOLLAR amount, go to 5(b). Otherwise, skip 5(b).

If YES to any part of I.10(a) and any part of I.10(b), go to II.6. Otherwise, skip II.6.

6(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any loss to Sign-A-Way caused by conduct of Mechtronics in violation of a duty to Sign-A-Way and Donna Stearns regarding candor and good faith in dealing with the Patent and Trademark Office? Answer in DOLLARS or NONE.

(1) In making the 1995 application

$ 200,000.00

(2) In making the 1996 application

$ NONE

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If you have answered either part of II.6(a) with a DOLLAR AMOUNT, go to 6(b). Otherwise, skip 6(b).

6(b). How much, if any, of the amount or amounts you have found is duplicative? Answer in DOLLARS or NONE.

(1) With respect to the amount in 6(a)(1)

(xi) Duplicative as to 5(a)(1)

$ 200,000.00

If YES to any part of I.11, go to II.7. Otherwise, skip II.7.

7(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any loss to Sign-A-Way caused by the conduct of Mechtronics in any of the following ways? Answer in DOLLARS or NONE.

(1) In displaying a model of the Self-Leveling Sign Hanging Device

$ NONE

(2) In making a false representation as to the origin of the sign suspension device

$ NONE

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If you have answered either part of II.7(a) with a DOLLAR AMOUNT, go to 7(b). Otherwise, skip 7(b).

If you have been directed in Part II to answer any other question in Part II, go to II.8 immediately below. Otherwise, skip II.8.

The court needs your answer to this following question in order to determine what, if any, judgment is to be made with respect to declaratory relief in this case.

8. Do you find by a preponderance of the evidence that it is reasonably certain that Sign-A-Way will suffer economic harm in the future, beyond the date of your verdict, of which any wrongful conduct of Mechtronics you have found in answering other questions in this verdict is a cause?

YES X NO

9. If you have awarded a sum of money in answer to any question in Part II, answer the corresponding part of this question. Otherwise, skip this question. What, if any, prejudgment interest do you award Answer in DOLLARS or NONE.

(xi) On the sum awarded in 5(a)(1), $ 20,000.00 in prejudgment interest

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(xiii) On the sum awarded in 6(a)(1), $ 20,000.00 in prejudgment interest

III. DISCLOSURES BY MECHTRONICS TO SIGN-A-WAY

1. This question concerns Mechtronics' disclosures to Donna Stearns or Sign-A-Way.

1(a)(1) Did Mechtronics disclose to Donna Stearns or Sign-A-Way the Mechtronics device's micro-chip?

X YES NO

If YES to 1(a)(1), go to (2)-(6). Otherwise skip (2)-(6).

(2) Was this information otherwise known to Sign-A-Way?

YES X NO

(3) Was this information generally known?

YES X NO

(4) Was this information usable in the operation of a business or other enterprise?

X YES NO

(5) Was this disclosure sufficiently informative beyond general knowledge and valuable, alone or together with other disclosures, to provide Donna Stearns an economic advantage over others in a similar business?

X YES NO

(6) Did Donna Stearns or Sign-A-Way violate their duty of due respect for the interests of Mechtronics in this information Mechtronics disclosed to Donna Stearns or Sign-A-Way?

X YES NO

1(b)(1) Did Mechtronics disclose to Donna Stearns or Sign-A-Way Mechtronics' customer lists, contacts, and marketing leads, developed by Mechtronics?

YES X NO

If YES to 1(b)(1), go to (2)-(6). Otherwise skip (2)-(6).

2. This question concerns Mechtronics' Trade Secrets and Mechtronics' care in protecting confidential information about Mechtronics development of models and designs.

2(a) Did Mechtronics violate the standard of due respect for the interests of Sign-A-Way to

protect secrecy and avoid disclosure to persons and entities other than Donna Stearns and Sign-A-Way of the information about Mechtronics' development of models and designs that Mechtronics disclosed to Donna Stearns or Sign-A-Way

(1) We find by a preponderance of the evidence that Mechtronics made disclosures to persons or entities other than Donna Stearns and Sign-A-Way that a reasonable person in Mechtronics' circumstances would not have made.

(2) X We find by a preponderance of the evidence that any disclosures Mechtronics made to persons or entities other than Donna Stearns and Sign-A-Way were made in circumstances in which a reasonable person would have felt free to make them.

(3) We unanimously find no preponderance of the evidence on this matter.

3(a) Was Donna Stearns' conduct in either of the following ways a violation of her duty of due respect for the interests of Mechtronics?

(1) Was Donna Stearns' conduct in arranging for the removal of the model that was displayed in the Pet Supply Store a violation of her duty of

due respect for Mechtronics' property interest in the model?

YES X NO

(2) Was Donna Stearns' conduct in making the arrangements she made with Selectronics for developing and making a model a violation of her duty of due respect for Mechtronics' interests?

X YES NO

If YES to either part of 3(a), go to the corresponding part of 3(b). Otherwise skip 3(b).

3(b) Did Donna Stearns' conduct in either of the following ways cause Mechtronics to suffer a loss?

(2) Her conduct in making the arrangements she made with Selectronics for developing and making a model?

X YES NO

IV. DAMAGES AWARDS, IF ANY, FOR MECHTRONICS AGAINST SIGN-A-WAY

If YES to any of III.1(a)-(d)(1) or III.1(b)(1), go to 1, immediately below. Otherwise, skip 1.

1. This question concerns alleged misappropriation of benefit.

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1(a). Did Sign-A-Way use for its own benefit information Mechtronics disclosed to Sign-A-Way about the Self-Leveling Sign Hanging Device without compensating Mechtronics fairly and reasonably for the use?

X YES NO

If YES to 1(a), go to 1(b). Otherwise, skip 1(b).

1(b). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for misappropriation? Answer in DOLLARS or NONE.

(1) For use of the Mechtronics' microchip

$ 1,000.00

(2) For use of customer lists, marketing contracts and leads

$ NONE

If you have answered both parts of III.1(b) with a DOLLAR amount, go to 1(c). Otherwise skip 1(c).

1(c). How much, if any, of the amounts you have found is duplicative? Answer in DOLLARS or NONE.

$ NONE

If YES to III.1(a)(6) or III.1(b)(6), go to 2.

2. This question concerns Donna Stearns' or Sign-A-Way's allegedly causing loss to Mechtronics by revealing information Mechtronics disclosed to Donna Stearns or Sign-A-Way.

2(a). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns or Sign-A-Way by revealing to others in violation of their duty of due respect for the interests of Mechtronics, one or more of the disclosures of Mechtronics to Donna Stearns or Sign-A-Way?

$ NONE

If you have answered IV.2(a) with a DOLLAR amount, answer 2(b). Otherwise skip 2(b).

If YES to either part of III.3(a), to 3, immediately below. Otherwise, skip 3.

3(a)(1). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns' arranging for removal of the model in the Pet Supply store? Answer in DOLLARS or NONE.

$ NONE

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3(a)(2) What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns' making the arrangements she made with Selectronics for developing and making a model? Answer in DOLLARS or NONE.

$ 28,000.00

If you answered either part of 3(a) with a dollar amount, go to 3(b). Otherwise skip 3(b).

3(b). How much, if any, of the amount or amounts you have found is duplicative? Answer in DOLLARS or NONE.

(2) With respect to the amount found in 3(a)(2)

(i) Duplicative as to 1(b)(1)

$ 1,000.00

4. If you have awarded a sum of money in any question in Part IV, answer the corresponding part of this question. Otherwise skip this question.

What, if any, prejudgment interest do you award? Answer in DOLLARS or NONE. On the sum awarded in 3(a)(2), $ 8,400.00 in prejudgment interest

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April 3, 1998
Date

x
Foreperson

On the stipulations, rulings of law, and the foregoing findings of fact by the jury in response to Questions I.(1)(5), I.2(1)-(11), I.3(a), I.4(a)-(c), I.4(e), I.6, I.7, I.8(c), I.9, I.10, I.11, and II.4(a), it is ORDERED AND ADJUDGED:

(1) With respect to plaintiff's claim for declaratory relief, it is adjudicated and declared that:

(a) Donna Stearns, acting in reliance on promises of confidentiality by Mechtronics, provided to Mechtronics:

(1) A mechanical model of a self-leveling sign hanging device;

(2) A photograph of the self-leveling sign hanging device;

(3) A patent disclosure statement;

(4) An explanation as to how the self-leveling sign hanging device functioned;

(5) Her opinion that there was a marketplace need for self-leveling sign hanging devices;

(b) Donna Stearns, acting in reliance upon promises of confidentiality by Mechtronics, also disclosed to Mechtronics:

(1) A device to raise and lower a sign from a ceiling;

(2) A device to raise and lower a sign that was self-leveling (i.e., the sign would remain level at all times);

(3) A device for suspending signs containing a sign holder to hold the sign;

(4) A device for suspending signs containing a sign holder where the sign holder's sheaves are spaced equidistantly from their respective ends;

(5) A cord supporting the sign holder;

(6) A drum from which the cord would wind and unwind

thereby raising or lowering the sign;

(7) A cord which supports the sign holder that runs from a fixed point on the ceiling to a drum;

(8) A device for suspending signs containing a sign holder where the distance between the sign holder's sheaves and the cord-attaching unit and drum are the same;

(9) Two pulleys attached to the signholder through which the cord runs;

(10) A motorized means to turn the drum and thereby wind and unwind the cord to raise and lower the sign;

(11) A remote control device to activate the motor to turn the drum, thereby winding and unwinding the cord to raise and lower the sign;

(c) Mechtronics thereafter revealed to the Patent and Trademark Office in

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Mechtronics' 1995 application for a patent, and to Arthur Torrence and Cary Cieciuch before that application was filed, material information contained in Donna Stearns' confidential disclosures to Mechtronics, and did so without the manifest consent (express or implied in fact) of Donna Stearns;

(d) Sign-A-Way (as assignee of Donna Stearns) failed, however, to show by a preponderance of the evidence that Mechtronics' conduct in revealing material information contained in Donna Stearns' confidential disclosures caused measurable harm to Sign-A-Way;

(e) Donna Stearns' disclosures to Mechtronics included matter not otherwise known to Mechtronics, not generally known, usable in the operation of a business or other enterprise, affording an actual or potential economic advantage over others, and of measurable benefit to Mechtronics;

(f) Mechtronics attempted to use Donna Stearns' disclosures concerning the Self-Leveling Sign Hanging Device for its own benefit in making the 1995 patent application and in other ways,

and did so without the consent of Donna Stearns (express or implied in fact), and in fact did obtain benefit. Sign-A-Way failed, however, to show by a preponderance of the evidence that Sign-A-Way suffered any reasonably certain amount of loss as a result;

(g) Mechtronics made a promise to Donna Stearns that Mechtronics would list her as inventor in the 1995 application to the Patent and Trademark Office, broke that promise, and in that conduct violated the duty of candor and good faith in dealing with the Patent and Trademark Office under 37 Code of Federal Regulations § 1.56 and its duty of due respect for the interests of Sign-A-Way (as Donna Stearns' assignee) and Donna Stearns, causing loss to Donna Stearns and Sign-A-Way;

(h) Mechtronics displayed a model of the Self-Leveling Sign Hanging Device in the Trade Show of 1996, with the word "patented," which was thus likely to deceive or mislead potential purchasers, and displayed the model with a sign stating that it was patented, which was likely to cause confusion among potential purchasers concerning Sign-A-Way's and Mechtronics' rights

and the rights of ownership of the device and to the origin of the sign suspension device.

(2) Judgment is awarded to Sign-A-Way against Mechtronics in the amount of $ 220,000 in compensatory damages based on the stipulations, jury findings and rulings declared and adjudged in (1) above and the jury findings identified in (a)-(b) immediately below, which establish two independent grounds for this award of $ 220,000.

(a) The first ground is the jury's finding of $ 200,000 in answer to Question II.5(a)(1) and prejudgment interest of $ 20,000 found in Question II.9(xi).

(b) The second ground is the jury finding of $ 200,000 in answer to Question II.6(a)(1) and prejudgment interest of $ 20,000 found in Question II.9(xiii).

(3) In all other respects, as to all claims of Sign-A-Way against Mechtronics, the court orders judgment for Mechtronics.

(4) With respect to Mechtronics' counterclaims against Sign-A-Way, the court orders judgment for Mechtronics for compensatory damages in the amount of $ 36,400 (which includes $ 8,400 in prejudgment interest) based on:

(a) the jury's findings of $ 28,000 in answer to Question III.3(a)(2) and of $ 8,400 in answer to Question IV.4; and

(b) the finding in answer to Question IV.3(b)(2)(i) that the finding of $ 28,000 in answer to Question IV. 3(a)(2) is duplicative of the finding of $ 1,000 in answer to Question IV.1(b)(1).

(5) In all other respects, as to all counterclaims of Mechtronics against Sign-A-Way, the court orders judgment for Sign-A-Way.

(6) Each party will bear its own costs,

(7) All awards of damages and costs bear post-judgment interest at the federal judgment rate of 5.391% per annum.

Approved:

/s/
United States District Judge

By the Court:

/s/
Joanne M. Cull, Deputy Clerk

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III. Rulings on Mechtronics' Motion for Judgment as a Matter of Law

A. Affirmative Defenses of Waiver and Estoppel

In pretrial proceedings and during trial, Mechtronics and Sign-A-Way each sought a ruling as a matter of law in its favor on Mechtronics' affirmative defenses of waiver and estoppel. The court concluded that none of the precedents that the parties relied upon was precisely in point and that the court should submit some potentially material questions of disputed historical fact and disputed evaluative inferences to the jury in anticipation that their verdict would be likely, at the least, to moot some of the disputes of law. I now conclude that key findings of the jury, well supported by the evidence received for their consideration, do moot some but not all of the disputes of law. Also, I conclude again after considering the post-judgment submissions, as I had concluded before ordering judgment, that the jury findings that were not recited in the form of judgment ordered by the court and entered by the Clerk were appropriately omitted because they were not material to any of the declaratory or monetary relief ordered. Including the omitted recitations anywhere in the form of judgment would confuse rather than clarify the terms of the judgment.

Mechtronics' first contention is that Donna Stearns "consented" to Mechtronics' "having made the application and to its content." That application omitted any naming of Donna Stearns as inventor. Docket No. 114 at page 2. The awkward and ambiguous phrasing of this contention, which Mechtronics has persistently used throughout pretrial, in trial,

and now in post-judgment presentation of this contention, is apparently an effort to evade the consequences of Mechtronics' deception of Donna Stearns by nondisclosure. Mechtronics did not tell Donna Stearns what they were doing in the application, or had done, until her demand for an explanation created a necessity for disclosure. The evidence before the jury supported the following findings of the jury:

> G. Applications to the Patent Office — 1995 and 1996 (Alleged Promise to Name Donna Stearns as Inventor)
>
> 9(a). Did Mechtronics make a promise to Donna Stearns that you find to be applicable to either or both of the 1995 and 1996 applications, in which part of the promise was that Mechtronics would list her as inventor:
>
> (a) with respect to the 1995 application?
>
> X YES NO
>
> (b) with respect to the 1996 application?
>
> YES X NO
>
> If YES to either part of 9(a), go to the same part of 9(b). Otherwise, skip 9(b).
>
> 9(b). Did Donna Stearns rely on Mechtronics' promise to list her as inventor,

(1) with respect to the 1995 application?

X YES NO

If YES to either part of 9(b), go to the same part of 9(d). Otherwise, skip 9(d).

9(c). In the circumstances occupied by Donna Stearns, would an ordinarily prudent person have relied upon the promise to list her as inventor

(1) by Christopher Anderson?

X YES, we find by a preponderance of the evidence

NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(2) by Richard Fellinger?

X YES, we find by a preponderance of the evidence

NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

(3) in the February 7, 1994 Letter?

YES, we find by a preponderance of evidence

X NO, we find by a preponderance of the evidence

We find that there is no preponderance of the evidence

9(d). Did Mechtronics break its promise to list her as inventor,

(1) with respect to the 1995 application?

X YES NO

Mechtronics' request that the court disregard these findings and rule that the court should call Donna Stearns' conduct a "consent" to her not being listed as an inventor, when she plainly did not consent, in fact, is without merit. Mechtronics contends that the answers to Verdict Questions I.4(d)(1), I.10(c) and I.4(d)(3) require a conclusion that defendant met its burden of proving all of the elements of defenses of waiver, consent and estoppel. All that the answer to Question I.4(d)(1) finds, however, is that Donna Stearns knew that Mechtronics revealed "material information" to the United States Patent and Trademark Office, Arthur Torrence and Cary Cieciuch. This finding does not determine that Donna Stearns knew all of the contents of the application at the time that the application was made.

Furthermore, the contention that the answer to Question I.10(c) must mean that Donna Stearns consented to the filing of the 1995 Application without her name being listed as an inventor is not sustainable. The finding in Question I.10(c) does not specifically refer to consent to the failure to name Donna Stearns as inventor, and, in light of other evidence before the jury regarding later promises to amend the 1995 Application, the finding in Question I.10(c) cannot be interpreted as determining that Donna Stearns consented to an application in breach of Mechtronics' earlier promise to her, see Question I.9. that her name would be included in the application.

In any event, Mechtronics failed during trial to present to the jury any evidence that could reasonably support a finding that Donna Stearns consented to the exclusion of her name from the list of inventors that appeared in the 1995 Application. Indeed, the evidence before the jury would not support a finding other than that she never consented to not being named as an inventor.

The precedents that Mechtronics cites come nowhere near to holding that a contrary-to-fact ruling of consent should be made by the court in the circumstances of this case. Of course a party may "waive" rights, as cases cited by Mechtronics declare. But the jury never made findings of fact that would support waiver, and the jury did make findings inconsistent with waiver.

Mechtronics argues for estoppel, but again seeks a ruling without findings of fact that are essential to invoking precedents on estoppel. I reject this estoppel contention

because of lack of support in the verdict, and because several findings in the verdict are inconsistent with the prerequisites of a ruling that the defense of estoppel was established at trial. For example, in answer to the three separate parts of Question I.3(d), the jury found that Sign-A-Way met its burden of proving that (1) Christopher Anderson, (2) Richard Fellinger, and (3) one or more other representatives of Mechtronics did not tell Donna Stearns that Mechtronics did not intend to keep confidential the disclosures that she made to Mechtronics. The undisputed use of those disclosures in development of the device that was the subject of the 1995 Patent Application, together with their failure to notify her of the content of their disclosures until she happened to learn about the application and demand explanation, is fundamentally inconsistent with Mechtronics' estoppel contention.

B. Mechtronics' Request for a Ruling Against Stearns and Sign-A-Way Grounded on Alleged Failure of Stearns to Protect Information

Mechtronics' second contention is that the award of damages to Donna Stearns cannot stand because Donna Stearns did not take reasonable steps to protect the "material information" that she disclosed to Mechtronics, see Verdict at I.1 and I.2, from being acquired by other parties. By asserting this contention in an ambiguous and imprecise manner, Mechtronics attempts to characterize the following finding in Question I.5(a) as barring recovery by plaintiff under one or more of plaintiff's asserted causes of action. Question I.5 appeared in a section of Question I headed "D. Trade Secrets." Questions I.5(a) and the answers to it were as follows:

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5. This question concerns care in protecting confidential information about the Self-Leveling Sign Hanging Device.

5(a). Did Donna Stearns violate the standard of due respect for the interests of Mechtronics to protect secrecy and avoid disclosure to persons and entities other than Mechtronics of the information about the Self-Leveling Sign Hanging Device that she disclosed to Mechtronics after receiving a promise of confidentiality from Mechtronics?

(1) X We find by a preponderance of the evidence that she made disclosures to persons or entities other than Mechtronics that a reasonable person in her circumstances would not have made

(2) We find by a preponderance of the evidence that any disclosures she made to persons or entities other than Mechtronics were made in circumstances in which a reasonable person would have felt free to make them

(3) We unanimously find no preponderance of the evidence on this matter

Mechtronics contends that this finding bars recovery by plaintiff under a theory of breach of the confidentiality agreement and under a theory of misappropriation of trade secrets based on Mechtronics' handling of the information governed by the confidentiality agreement between the

parties. Mechtronics has not identified why, and this court cannot identify any reason why, the answer to Question I.5(a) could bar recovery under other claims Sign-A-Way has asserted, including, but not limited to, Sign-A-Way's claim that Mechtronics is liable for failing to carry out its promise to name Donna Stearns as an inventor in the 1995 Application.

Mechtronics' arguments that Donna Stearns' failure to protect information should affect the judgment in this case fail for another reason. In the Verdict, the jury awarded plaintiff money damages resulting from Mechtronics' breach of its promise to list Donna Stearns as an inventor on the 1995 Application. Verdict at II.5(a). The jury did not award money damages to plaintiff in compensation for harm resulting from Mechtronics' disclosure to third parties of the information that the jury found was protected by the confidentiality agreement. See Verdict at II.1, II.3, II.4, and II.7. In addition, the jury did not award damages in compensation for any misappropriation of ideas by Mechtronics. Verdict at II.2. The jury's findings in these respects necessarily imply that the jury found that, even if Mechtronics violated a duty of confidentiality to Donna Stearns by making certain disclosures to third parties, Mechtronics' disclosure caused no tangible harm to plaintiff.

For that reason, the findings of the jury in Part II moot the question of law as to whether, in this case, Mechtronics still had a duty of confidentiality to plaintiff, even after identified disclosures by plaintiff to certain third parties.

A required element of both the tort of misappropriation of trade secrets and of an action for breach of a contract of

confidentiality in Massachusetts is that the conduct of the defendant must cause tangible harm to the plaintiff. *Jet Spray Cooler, Inc. v. Crampton, 377 Mass. 159, 168, 385 N.E.2d 1349, 1355 (1979)*. In this case, the jury has unambiguously found that plaintiff failed to meet its burden to show that Donna Stearns and Sign-A-Way suffered harm from the alleged breach of the duty of confidentiality, regardless of whether that duty arose as a matter of law, if at all, from the confidentiality agreement or by operation of law. These findings serve Mechtronics' interest as a shield against liability for breach of the confidentiality agreement. Mechtronics, not content with that benefit, asks the court to treat these findings also as a shield against Mechtronics' liability for breach of its other promises and obligations to Donna Stearns, to which Sign-A-Way has succeeded as assignee. This proposed expansion of a shield against one claim to become a shield against all other claims is not supported in this case either factually or legally.

Neither is Mechtronics correct in contending, in effect, that the declaratory relief included in the Judgment of April 8, 1998 constitutes a judgment for plaintiff on counts asserting a breach of a duty of confidentiality. The declaratory judgment of April 8 is clear in stating that the jury found that the breach of a duty of confidentiality did not cause any harm to plaintiff:

> (c) Mechtronics thereafter revealed to the Patent and Trademark Office in Mechtronics' 1995 application for a patent, and to Arthur Torrence and Cary Cieciuch before that application was filed, material information contained in Donna

Stearns' confidential disclosures to Mechtronics, and did so without the manifest consent (express or implied in fact) of Donna Stearns;

(d) Sign-A-Way (as assignee of Donna Stearns) failed, however, to show by a preponderance of the evidence that Mechtronics' conduct in revealing material information contained in Donna Stearns' confidential disclosures caused measurable harm to Sign-A-Way;

(e) Donna Stearns' disclosures to Mechtronics included matter not otherwise known to Mechtronics, not generally known, usable in the operation of a business or other enterprise, affording an actual or potential economic advantage over others, and of measurable benefit to Mechtronics;

(f) Mechtronics attempted to use Donna Stearns' disclosures concerning the Self-Leveling Sign Hanging Device for its own benefit in making the 1995 patent application and in other ways, and did so without the consent of Donna Stearns (express or implied in fact), and in fact did obtain benefit. Sign-A-Way failed, however, to show by a preponderance of the evidence that Sign-A-Way suffered any reasonably certain amount of loss as a result . . . .

The declaratory judgment explicitly stated that plaintiff failed to prove at trial one of the elements required by law for relief

grounded on breach of a duty of confidentiality. The declaratory judgment, therefore, cannot properly be treated as a judgment for plaintiff that adjudicates, in plaintiff's favor, those counts asserting a breach of a duty of confidentiality.

For these reasons, I conclude that the findings of the jury have made moot a determination regarding the existence and scope, as a matter of law, of a duty of confidentiality running from Mechtronics to Sign-A-Way regarding the "material information" that Donna Stearns disclosed to Mechtronics.

C. Mechtronics' Request for a Ruling in Its Favor Because the Money Award Constitutes a Recovery of Attorney's Fees

Mechtronics' third contention in moving for judgment as a matter of law is that the $200,000 awarded by the jury must have been an impermissible award of attorney's fees because evidence regarding the cost of the present litigation suggested a cost for plaintiff of $200,000.

The jury awarded plaintiff $200,000 in compensatory damages. The jury found this amount to be the appropriate amount of compensation in their answer to the following questions in Part II of the Verdict:

> If YES to either part of I.9(b), go to the corresponding part of II.5. Otherwise, skip II.5.
>
> 5(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and

reasonably for harm, if any, that Mechtronics' failure to list her as inventor caused? Answer in DOLLARS or NONE.

(1) With respect to the 1995 application

$ 200,000.00

(2) With respect to the 1996 application

$ NONE

If you have answered either part of 5(a) with a DOLLAR amount, go to 5(b). Otherwise, skip 5(b).

If YES to any part of I.10(a) and any part of I.10(b), go to II.6. Otherwise, skip II.6.

6(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any loss to Sign-A-Way caused by conduct of Mechtronics in violation of a duty to Sign-A-Way and Donna Stearns regarding candor and good faith in dealing with the Patent and Trademark Office? Answer in DOLLARS or NONE.

(1) In making the 1995 application

$ 200,000.00

(2) In making the 1996 application

$ NONE

If you have answered either part of II.6(a) with a DOLLAR AMOUNT, go to 6(b). Otherwise, skip 6(b).

6(b). How much, if any, of the amount or amounts you have found is duplicative? Answer in DOLLARS or NONE.

(1) With respect to the amount in 6(a)(1)

(xi) Duplicative as to 5(a)(1)

$ 200,000.00

The jury, therefore, found plaintiff entitled to $200,000 in compensatory damages based on two independent theories of claim.

Defendant's contention that the $200,000 must have been awarded as attorney's fees calls for this court to speculate in an impermissible manner into the decision-making processes of the jury. In deciding a post-judgment motion for judgment as a matter of law under Fed. R. Civ. P. 50(b), a court is not to speculate into the particular thought processes of jurors; rather the court's inquiry is limited to determining whether no reasonable jury could have made the challenged finding in light of the evidence presented to the jury. See *McMillan v. Massachusetts Soc'y for the Prevention of Cruelty to*

Animals, 140 F3d 288, 1998 WL 110164, at *4 (1st Cir. 1998) ("We will not set aside a jury verdict as a matter of law unless there was only one conclusion the jury could have reached."). See also *Plummer v. Springfield Terminal Ry. Co., 5 F3d 1 (1st Cir. 1993), cert. denied, 510 U.S. 1112, 127 L. Ed. 2d 377, 114 S. Ct. 1057 (1994)*. In determining the appropriateness, as a matter of law, of a jury's award of money damages, the court is authorized to override that award only if it exceeds "any rational appraisal or estimate of the damages that could be based on the evidence before the jury." *Anthony v. G.M.D. Airline Serv., Inc., 17 F3d 490, 493 (1st Cir. 1994)*. If the court determines that a reasonable jury could have found, in light of the evidence presented to the jury in this case, that $200,000 was an appropriate amount to compensate plaintiff, the court's inquiry stops at that determination because strong interests of secrecy and independence of jury decision-making and applicable law counsel against even attempting to ferret out the precise reasoning that led the jury to its finding.

For the reasons explained below, I conclude that plaintiff presented sufficient evidence to the jury to allow a reasonable jury to award $200,000 in compensatory damages to plaintiff based on at least one of the theories of claim as to which the findings of the jury supported judgment for plaintiff. This is not an exhaustive exploration into all possible trains of thought by which the jury might have arrived at the $200,000 figure. The applicable law does not require that the court explore every possible train of thought that the jury might have followed as long as there was one train that it could have reasonably followed. *See Johnson v. Teamsters Local 559, 102 F3d 21, 23 (1st Cir. 1996)*.

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As Exhibit 32 shows, Mechtronics' 1995 Application for a Patent on the Self-Leveling Sign Hanging Device was accompanied by a Joint Declaration and Power of Attorney signed by each of the inventors named in the application. The governing regulations require, as stated in that exhibit, that all statements of invention contained therein be accurate. Through this declaration and power of attorney, each "joint inventor" affirmed that he invented the device and that he was represented by Haynes Johnson, Mechtronics' patent counsel, in all matters before the United States Patent and Trademark Office (USPTO).

As a named inventor to the Self-Leveling Sign Hanging device on which Mechtronics sought a patent, Donna Stearns would have been in a position that would have allowed her to either block the application or demand some compensation by refusing to sign the Joint Declaration and Power of Attorney.

From the evidence before the jury, they could have reasonably inferred that, by excluding Donna Stearns from the list of inventors in breach of a promise to her to name her, Mechtronics circumvented its obligation to obtain Donna Stearns' approval of the 1995 Application because Mechtronics was then not required by law to get Donna Stearns to endorse the Joint Declaration and Power of Attorney. And from that inference and testimony regarding the application process, the jury could have reasonably determined that, as a result of not listing Donna Stearns as an inventor, Mechtronics was able to file, at a very early stage, an application for a patent. The jury could also reasonably infer that the early filing of this application by

Mechtronics created a problem with the Patent Office that later caused Donna Stearns' or Sign-A-Way not be able to obtain a patent on the device.

From the evidence before them, then, the jury also could have reasonably inferred that Donna Stearns' or Sign-A-Way's inability to obtain a patent prevented Donna Stearns and Sign-A-Way from realizing profits from the sale of the device on an exclusive basis for a limited period of time during which Sign-A-Way might have had net profits in the range of $200,000.

Plaintiff presented to the jury evidence, in the form of expert testimony, that supports an implicit finding that the profitability of the device to Sign-A-Way would be exponentially magnified if the USPTO conferred a patent to Sign-A-Way on the Self-Leveling Sign Hanging Device. If no patent was conferred, the testimony showed that the manufacturer would have to "flood the market," a proposition that would make it harder, if not outright impossible, for Donna Stearns and Sign-A-Way to manufacture and to market the device. In addition, it is a commonly known proposition that a patent, in some instances, confers rights analogous to a temporary monopoly on the design and production of a good that is aimed at compensating the costs of developing that good.

Plaintiff presented the testimony of expert witness Michael Hoffman. Mr. Hoffman is an impressively qualified entrepreneur with a distinguished background in finance and marketing. Perhaps even more relevant to this case, Mr. Hoffman is a principal in one of the nation's leading

companies in the business of signage, Rose Displays, Inc. He is also either a director or member of each of the leading trade associations in the signage industry. Upon plaintiff's request and in preparation for this litigation, Mr. Hoffman prepared a model that predicted the revenues that would result from Sign-A-Way's marketing of the device given certain assumptions. Those assumptions included assumptions about the types of stores that would be interested in the device, what companies Donna Stearns already had serviced in the past, and the expected expansion rate for companies in the relevant categories as reported by certain research specialists. Ibis model produced revenue projections for sales of the Self-Leveling Sign Hanging Device assuming that Donna Stearns would obtain a patent in her favor. Hoffman's testimony reported that his model produced predicted revenues for plaintiff of $300,000 for 1994, $1,800,000 for 1995, $3,000,000 for 1996, and $5,250,000 for 1997.

In this case, the jury could have reasonably credited Mr. Hoffman's testimony and could have used it as support for a finding that Sign-A-Way was entitled to compensatory damages without necessarily adopting any specific amount that he mentioned, as long as the amount awarded was not unreasonable in light of the totality of the evidence before the jury. The jury's award is reasonably consistent, for example, with the jury's crediting Mr. Hoffman's estimates of revenues, and the net profits implied by those revenues in light of other evidence before them, for a temporary period (that is, less than the four years that Hoffman's model covered).

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The failure of the special questions to require an itemization of the calculations through which the jury arrived at the award does not affect the appropriateness as a matter of law of the award in the absence of identified circumstances that raise serious questions about the integrity and rationality of the verdict. See *Plummer; Johnson v. H. K. Webster Inc., 775 F 2d 1, 9-10 (1st Cir. 1985).* In this case, Mechtronics has not shown any appropriate reasons why this court should have inquired about specific calculations.

In addition, Mechtronics has failed to meet its burden to show that Mr. Hoffinan's testimony was not a valid ground of evidentiary support for the jury's award of damages. See *Jay Edwards, Inc. v. New England Toyota Distrib., Inc., 708 F2d 814, 819 (1st Cir.),* cert. denied, *464 U.S. 894, 78 L. Ed. 2d 231, 104 S. Ct. 241 (1983).* In this case, defendant did not present evidence that, as a matter of law, required the jury to disregard Mr. Hoffman's projections or that would require this court to reverse any findings of the jury that are supported by his testimony. Furthermore, defendant had an opportunity to cross-examine Mr. Hoffman and to convince the jury that his testimony should not be credited.

For these reasons, I conclude that the jury's award of money damages is not an irrational appraisal of the estimated revenues predicted by Hoffman's model and the other estimates regarding costs that were before the jury.

D. Mechtronics' Request for a Ruling that the Money Award is Wholly Unsupported by the Evidence

Mechtronics' fourth contention is that the jury's award of money damages to Sign-A-Way is wholly unsupported

by the evidence. For the reasons explained in Part III.C of this Opinion, I conclude that Mechtronics has failed to meet its burden to show that it is entitled to judgment as a matter of law on this ground.

E. Duty of Candor and Good Faith

Mechtronic's fifth contention argues (1) that, as a matter of law, Mechtronics duty of candor and good faith to the Patent and Trademark Office does not give rise to a duty owed to Donna Stearns, (2) that the jury based its award of money of damages on a violation of the duty to the USPTO, and (3) that, in any event, a violation of that duty must be shown by clear and convincing evidence, not a preponderance of the evidence.

I conclude that Mechtronics' fifth contention fails to present any decisive question of law with respect to the final judgment ordered by this court and entered by the Clerk. As explained above, the jury awarded Sign-A-Way money damages of $200,000 plus prejudgment interest of $20,000 on two independent grounds: (1) Mechtronics' breach of its promise to list Donna Stearns as an inventor, and (2) Mechtronics' violation of the duty of candor and good faith. A determination by this court that, as a matter of law, the award of damages was inappropriate as to (2) would still not entitle Mechtronics to judgment in light of this court's rulings on Mechtronics' other contentions in support of its motion for judgment as a matter of law and at trial.

For these reasons, I conclude that Mechtronics is not entitled to judgment as a matter of law based on its fifth contention.

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F. Particularity of Damages

Mechtronics sixth contention is that Sign-A-Way has failed to show damages with the requisite particularity. Mechtronics contends that money damages must be proved with reasonable particularity in order to prevail on a claim for lost profits resulting from a misappropriation of trade secrets or ideas. For the reasons explained and in light of the rulings made in Part III.C and III.D of this opinion, I conclude that Mechtronics is not entitled to judgment as a matter of law on this ground.

G. Other Contentions Regarding Modification of Final Judgment

In its other contentions, Mechtronics argues that this court must modify the form of final judgment to itemize the amount of recovery for certain claims. Mechtronics advances this contention with respect to claims asserting a violation of the Lanham Act, unjust enrichment, a violation of the Connecticut Unfair Trade Practices Act, and unfair competition. In addition, Mechtronics requests that the court modify the declaratory aspects of the judgment to include a recitation of certain additional findings of the jury.

These contentions, in effect, ask this court to make rulings on questions of law that the findings of the jury mooted and that the final judgment clearly and completely adjudicates.

I conclude that the Final Judgment ordered by this court and entered by the Clerk unambiguously adjudicates all of plaintiff's asserted claims.

Furthermore, to recite the findings that Mechtronics contends this court should add to the declaratory judgment would only lead to confusion as to the meaning and enforceability of the Final Judgment as a whole, without aiding interested parties to comprehend, clearly and precisely, what the Final Judgment means. The fact that a jury finding is not listed in the declaratory section of the judgment does not in any way limit its effectiveness and validity as a decisive determination of material fact, even when considered from the perspective of a later decisionmaker presented with an argument that the Verdict and Final Judgment in this case support a determination in favor of one or another party regarding claim preclusion or issue preclusion.

For these reasons, I conclude that Mechtronics' requests for modification of the form of final judgment must be denied.

IV. Rulings on Sign-A-Way's Postjudgment Motions

A. Liability of Sign-A-Way, Inc. for Preincorporation Conduct of Donna Stearns

For the reasons explained below, I conclude that Sign-A-Way cannot be held liable for harm caused by preincorporation acts of Donna Stearns.

1. Sign-A-Way's Contention

Sign-A-Way's first contention in moving for judgment as a matter of law is that Sign-A-Way, Inc., as a matter of

law, cannot be held liable for harm to Mechtronics resulting from conduct of Donna Stearns that occurred before the incorporation of Sign-A-Way.

The jury made the following findings awarding money damages to Mechtronics in Part IV of the Verdict, concerning "IV. DAMAGES AWARDS, IF ANY, FOR MECHTRONICS AGAINST SIGN-A-WAY."

> If YES to any of III.I(a)-(d)(1) or III.1(b)(1), go to 1, immediately below. Otherwise, skip 1.
>
> 1(a). Did Sign-A-Way use for its own benefit information Mechtronics disclosed to Sign-A-Way about the Self-Leveling Sign Hanging Device without compensating Mechtronics fairly and reasonably for the use?
>
> X YES NO
>
> If YES to 1(a), go to 1(b). Otherwise, skip 1(b).
>
> 1(b). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for misappropriation? Answer in DOLLARS or NONE.
>
> (1) For use of the Mechtronics' microchip
>
> $ 1,000.00

(2) For use of customer lists, marketing contracts and leads

$ NONE

If you have answered both parts of III.1(b) with a DOLLAR amount, go to 1(c). Otherwise skip 1(c).

1(c). How much, if any, of the amounts you have found is duplicative? Answer in DOLLARS or NONE.

$ NONE

. . .

If YES to either part of III.3(a), to 3, immediately below. Otherwise, skip 3.

3(a)(1). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns' arranging for removal of the model in the Pet Supply store? Answer in DOLLARS or NONE.

$ NONE

3(a)(2) What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns' making the arrangements she

made with Selectronics for developing and making a model? Answer in DOLLARS or NONE.

$ 28,000.00

If you answered either part of 3(a) with a dollar amount, go to 3(b). Otherwise skip 3(b).

3(b). How much, if any, of the amount or amounts you have found is duplicative? Answer in DOLLARS or NONE.

(2) With respect to the amount found in 3(a)(2)

(i) Duplicative as to 1(b)(1)

$ 1,000.00

4. If you have awarded a sum of money in any question in Part IV, answer the corresponding part of this question. Otherwise skip this question.

What, if any, prejudgment interest do you award? Answer in DOLLARS or NONE.

On the sum awarded in 3(a)(2), $ 8,400.00 in prejudgment interest

Plaintiff's first contention is not decisive with respect to the jury's finding in Question IV.1(b). The Question asked

whether Sign-A-Way misappropriated a benefit. In order to obtain a judgment as a matter of law that disregards the finding in Question IV.1(b), Sign-A-Way must show that no jury, acting reasonably and with a correct understanding of the court's instructions on the law, could have made that finding in light of the evidence before this jury. The evidence received was sufficient to support a finding that acts of officers and representatives of Sign-A-Way after the time of its incorporation, as well as before, were among the events accounting for and contributing to the misappropriation of benefit found by the jury as the basis for its award of $1,000 in answer to Question IV.1(b).

Plaintiff's first contention, however, deserves this court's attention with respect to the jury finding in answer to Question IV.3(a)(2) because that question referred to whether particularly identified conduct of Donna Stearns caused harm to Mechtronics, and that conduct ("making the agreements she made with Selectronics for developing and making a model") occurred before Sign-A-Way, Inc. came into existence.

It is undisputed in the parties' contentions and in the evidence submitted to the jury that the Stearns (Donna and her husband) had not even considered forming Sign-A-Way at the time of this conduct that the jury found to support an award of damages to Mechtronics.

The parties, on both sides of this case, made many strategic choices during pretrial and trial proceedings. One of those choices made by Mechtronics was to dismiss its claims against Donna Stearns individually and proceed to

trial against the less potentially sympathetic target, Sign-A-Way, Inc. The parties were not required to, and did not, proffer evidence as to their reasons and motives, and I make no findings on that subject. Rather, the observation that I have just stated is an observation about potential considerations bearing upon strategic choices as they may be seen by a neutral observer.

Also, neither plaintiff nor defendant submitted in evidence, or in any other way placed before the court, a copy of the assignment agreement by which Donna Stearns allegedly assigned to Sign-A-Way any rights that may arise from the outcome of this litigation. The parties must live with the consequences of their strategic choices, including their respective decisions not to proffer evidence about the bases for them.

Ordinarily, under generally applicable principles of the law of agency, a corporation cannot be held liable for the torts of a person who was a promoter or planner and later became shareholder, officer, director, or agent, if the tortious acts of that person occurred entirely before the formation of the corporation was even contemplated by that person who later occupied one or more of these positions. See *Murphy v. I. S. K. Con. of New England, Inc., 409 Mass. 842, 864, 571 N.E. 2d 340, 353 (1991)* (reasonable for jury not to award damages for preincorporation harm caused by agents). No duty arises for the corporation to disassociate itself from a former tortfeasor if the tortious conduct has ended by the time of the incorporation. In this case, all of the tortious acts on the basis of which the jury could make findings, as they did, to support the award of $28,000 in answer to Question

IV.3(a)(2), took place, under the undisputed evidence before the court, before the formation of Sign-A-Way was even contemplated. The limitation of liability that is an essential element of the corporate form shields Sign-A-Way from liability for the preincorporation acts of Donna Stearns, unless some exception to this general rule of agency law applies to this case.

Mechtronics implicitly advances what is in effect a reverse-veil-piercing" argument in its effort to establish some authorized exception to the generally applicable law of agency. Decisions of the Supreme Judicial Court of Massachusetts, however, do not support a contention for "reverse-veil-piercing" against Sign-A-Way. In circumstances in which the corporate entity is used as a shield to perpetrate fraud at the expense of an innocent party, courts have sometimes chosen to pierce that shield. *My Bread Baking Co. v. Cumberland Farms, Inc., 353 Mass. 614, 620, 233 N.E. 2d 748 (1968).* To invoke such a rule, Mechtronics would need to show fraudulent purpose in the organization of Sign-A-Way. See *Gordon Chemical Co. v. Aetna Cas. & Sur. Co., 358 Mass. 632, 638, 266 N.E. 2d 653, 657 (1971).* Moreover, even if fraudulent purpose in the organization of the corporate entity were not treated as a prerequisite, in any event it would be Mechtronics' burden, in invoking any exception, to produce evidence that would support its factual allegations by a preponderance of the evidence. The burden to show that the corporate "veil" or "shield" should be pierced is on the party claiming that some wrongful conduct of the principals of the corporation requires that the formalities of the corporate entity be ignored. *Gurry v. Cumberland Farms, Inc., 406 Mass. 615, 625-26, 550 N.E. 2d 12 7, 134 (1990).*

That burden is not an easy one to meet. Id. In this case, the temporal disconnection between the tortious conduct and the life of the corporation strongly supports the conclusion that, as a matter of law, on this trial record, Sign-A-Way cannot be held liable for the damages awarded to Mechtronics by the jury in answer to Question IV.3(a)(2).

For these reasons, Sign-A-Way's liability turns not on whether Sign-A-Way is liable for the preincorporation conduct of Donna Stearns under rules of law that apply in the absence of a contractual assumption of liability but on whether Sign-A-Way assumed liability for the acts of Donna Stearns by an enforceable agreement or by other conduct that, in the circumstances of the relationship between them and with third parties, may have created a legally recognizable duty of Sign-A-Way to respond for any harm caused by Donna Stearns' previous conduct.

2. Mechtronics' Response

In its opposition to Sign-A-Way's motion for judgment as a matter of law, Mechtronics has not squarely attacked Sign-A-Way's contention that Sign-A-Way cannot be liable for the preincorporation acts of Donna Stearns. Instead, Mechtronics contends that the findings of the jury and the evidence of record in this trial entitle Mechtronics to recovery of damages on a theory of unjust enrichment.

Mechtronics asks this court to interpret the answers to Questions III.3(b) and IV.3(a)(2) as supporting a determination that the jury awarded all damages that they awarded to Mechtronics on a theory of unjust enrichment.

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Under a theory of unjust enrichment, Mechtronics contends, all Mechtronics needed to prove was that Sign-A-Way received a benefit, Sign-A-Way appreciated that benefit, and it would be inequitable for Sign-A-Way to retain that benefit. Mechtronics contends that the jury made findings in its favor with respect to these three questions.

Implicit in this contention of Mechtronics is the argument that Sign-A-Way cannot be shielded from the damages awarded in IV.3(a)(2) because the corporate veil of Sign-A-Way does not protect Sign-A-Way from its duty to pay Mechtronics for the benefit that Sign-A-Way has allegedly inequitably retained. The liability for unjust enrichment is not a liability for harm caused by others, the argument goes, but an equitable obligation that Sign-A-Way undertook by operation of law when it accepted and retained the alleged benefit.

The jury findings to which Mechtronics points, however, do not determine whether Sign-A-Way received a benefit. Those findings address only whether Donna Stearns caused harm to Mechtronics and how much harm she caused. That Donna Stearns' preincorporation conduct caused harm to Mechtronics does not necessarily mean that Sign-A-Way received a corresponding benefit, or even any benefit at all, from that conduct of Donna Stearns. The findings of the jury, therefore, are insufficient to support a conclusion that Mechtronics is entitled to judgment on its counterclaim asserting unjust enrichment.

The evidence before the jury did not provide any basis on which the jury could make a reasoned finding that Sign-

A-Way derived some determinable amount of benefit for which a dollar award in some amount could be made.

For Mechtronics to prevail on its counterclaim alleging unjust enrichment, Mechtronics had to show that Sign-A-Way realized a benefit from the conduct that Mechtronics contends to be a cause of unjust enrichment.

B. CUTPA

In its motion for judgment as a matter of law, Sign-A-Way contends that it is entitled to judgment on its claims asserted under the Connecticut Unfair Trade Practices Act (CUTPA). Sign-A-Way bases this contention, inter alia, on the following three arguments: (1) the findings of the jury support a conclusion that Mechtronics violated the Lanham Act and that is, as a matter of law, a per se violation of CUTPA; (2) the findings of the jury support a conclusion that Mechtronics committed fraud in failing to list Donna Stearns as an inventor on the 1995 Application; and (3) the finding of the jury that Mechtronics violated its duty of candor and good faith in dealing with the Patent Office and its duty of due respect for the interests of Sign-A-Way in making the 1995 Application supports a conclusion that Mechtronics violated CUTPA.

For the reasons explained in Parts IV.B.1-3 of this opinion immediately below, I conclude that Sign-A-Way is not entitled to judgment on its claims asserted under CUTPA.

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1. Lanham Act

The jury made the following findings bearing upon Sign-A-Way's claim against Mechtronics under the Lanham Act:

I. Mechtronics' Display at Trade Show of 1996

11(a). Was the display of a model of the Self-Leveling Sign Hanging Device by Mechtronics

(1) with the word "patented" likely to deceive or mislead potential purchasers?

X YES NO

(2) with a sign stating that it was patented likely to cause confusion among potential purchasers concerning Sign-A-Way's and Mechtronics' rights and the rights of ownership of the device?

X YES NO

(3) with a sign stating that it was patented likely to cause confusion among potential purchasers as to the origin of the sign suspension device?

X YES NO

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11(b). Did Mechtronics

(1) make false representations as to the origin of the sign suspension device

YES X NO

If YES to 11(b)(1), answer 11(b)(2). Otherwise, skip 11(b)(2).

. . .

[Part 11]

If YES to any part of I.11, go to II.7. Otherwise, skip II.7.

7(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any loss to Sign-A-Way caused by the conduct of Mechtronics in any of the following ways? Answer in DOLLARS or NONE.

(1) In displaying a model of the Self-Leveling Sign Hanging Device

$ NONE

(2) In making a false representation as to the origin of the sign suspension device

$ NONE

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If you have answered either part of II.7(a) with a DOLLAR AMOUNT, go to 7(b). Otherwise, skip 7(b).

The Final Judgment of April 8, 1998 does not grant Sign-A-Way judgment on its claim under the Lanham Act because the findings of the jury did not support Sign-A-Way's claim under the Act. To prevail in a cause of action under the Lanham Act, "plaintiff must show actual harm to its business." *Camel Hair & Cashmere Inst. v. Associated Dry Goods Corp., 799 E.2d 6, 12 (1st Cir. 1986); Maple Grove Farms of Vermont, Inc. v. Euro-Can Prod., Inc., 974 F. Supp. 85, 96 (D. Mass. 1997).* See also *Brown v. Armstrong, 957 F. Supp. 1293, 1301* (D. Mass.), aff'd, *129 F3d 1252 (1st Cir. 1997); Pacamor Beatings, Inc. v. Minebea Co., 918 F. Supp. 491, 498 (D.N.H. 1996).* In answer to Question 11.7(a), the jury found that Mechtronics' use at a trade show in 1996 of the word "patented" in connection with its display of the Self Leveling Sign-Hanging Device did not cause Sign-A-Way any harm. The evidence before the jury reasonably supported this finding. For these reasons, Sign-A-Way cannot contend that a violation of the Lanham Act in this case requires recovery under CUTPA as a matter of law.

In addition, CUTPA itself requires that Sign-A-Way prove that the conduct of Mechtronics giving rise to a cause of action under CUTPA caused harm to Sign-A-Way. In order to prevail in its CUTPA claim, Sign-A-Way had to prove at trial that it suffered "substantial injury" and "ascertainable loss" from some conduct of Mechtronics. *Service Road Corp. v. Quinn, 241 Conn. 630, 639, 698 A. 2d 258, 263 (1997); Williams Ford, Inc. v. Hartford Courant Co., 232 Conn. 559,*

591, 657 A.2d 222, 227 (1995) (citations omitted), cited in *Haynes v. Yale-New Haven Hosp., 243 Conn. 17, 34 n. 18, 699 A. 2d 964, 972 (1997)*. As the answer to Question II.7 shows. Sign-A-Way failed to meet this burden.

For these reasons, Sign-A-Way's contentions that the court must award damages under CUTPA for an alleged violation of the Lanham Act or for any other conduct of Mechtronics from which the jury found that no harm resulted to Sign-A-Way are not sustainable.

2. Fraud and the Promise to List Donna Stearns as Inventor in the 1995 Application

Sign-A-Way also contends that the findings of the jury support a conclusion that Mechtronics committed fraud in failing to list Donna Stearns as an inventor on the 1995 Application, and that such a conclusion entitles Sign-A-Way to recovery under CUTPA.

In response to this contention, Mechtronics argues that the jury's answer to Question I.3(b) negates an essential element of fraud. But Question I.3(b) does not refer to the promise to list Donna Stearns as inventor. Rather, Question I.3(b) refers only to the promise of Mechtronics not to disclose certain material information to third parties. The jury's answer to Question I.3(b), therefore, is not a decisive determination as to whether Sign-A-Way met its burden to prove that Mechtronics' breach of its promise to list Donna Stearns as an inventor in the 1995 Application constituted fraud and supports an award of damages under CUTPA.

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The findings of the jury do not support a conclusion that Mechtronics committed fraud in breaking its promise to Donna Stearns to list her as inventor on the 1995 Application. An essential element of fraud-by false-promise is that the party making the promise intended not to keep it at the time of making the promise. See *Starr v. Fordham, 420 Mass. 178, 186, 648 N.E. 2d 1261, 1267 (1995); Smith v. Frank, 165 Conn. 200, 201, 332 A.2d 76, 77 (1973); Flaherty v. Schettino, 136 Conn. 222, 225, 70 A. 2d 151, 152 (1949).* No question before the jury addressed whether Mechtronics had the requisite intent not to keep the promise to list Donna Stearns as inventor on the 1995 Application. In light of the evidence before the jury, the question remains a genuine dispute of material fact because a reasonably jury could have found either "intent" or "no intent" on the evidence before this jury. For these reasons, this court cannot conclude, as a matter of law, that Sign-A-Way has met its burden to prove that Mechtronics intended not to keep its promise to list Donna Stearns as an inventor on the 1995 Application when Mechtronics made that promise to her.

Sign-A-Way cannot prevail on a claim by alleging an entirely new theory of fraud, for the first time, after the jury has reached a verdict. When plaintiff is:

> aware of the factual predicate for the tort claim throughout the litigation and failed to raise that claim until after judgment . . . it would be both unfair and substantially prejudicial to permit the injection of a new and different theory of liability at the very stroke of midnight.

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DCPB, Inc. v. City of Lebanon, 957 F.2d 913, 917 (1st Cir. 1992).

Sign-A-Way never alleged with particularity, either in its pleadings or at any time before the jury commenced deliberations, that Mechtronics committed fraud by breaking its promise to list Donna Stearns as an inventor. A party alleging fraud must plead it with particularity. Fed. R. Civ. P. 9(a). Sign-A-Way did not identify in any way the circumstances associated with its claim of breach of that particular promise in alleging fraud or a violation of CUTPA in its Amended and Restated Verified Complaint (attached to Docket No. 16, filed February 6, 1997).

During pretrial and trial proceedings, Sign-A-Way did not propose special questions that articulated questions of material fact with respect to the requisite elements of a theory of fraud based on Mechtronics' breach of the promise to list Donna Stearns as inventor in the 1995 Application, and Sign-A-Way did not object to the submission of the Verdict form to the jury for deliberation.

The structure of the Verdict and the drafting by plaintiff of questions that did ask about the facts material to the elements of fraud under other factual theories confirm that Sign-A-Way did not properly articulate its claim of fraud based on Mechtronics' breach of the promise to list Donna Stearns as inventor. For example, although Question I.3 inquires as to the intent of Mechtronics and its agents to fulfill their promise not to disclose certain material information to third parties, Question I.8, which addresses the promise to list Donna Stearns as inventor, does not inquire

as to Mechtronics' intent to fulfill that promise at the time that Mechtronics made it.

In particular, Sign-A-Way never proposed or otherwise articulated the need for a question with respect to Mechtronics' intent to keep that promise when Mechtronics made it. See Docket No. 42 at 3-4; Docket No. 51 at 3-4; Docket No. 63 at 7-8; Docket No. 107 at 7; Docket No. 110 at 12-13. And Sign-A-Way did not object to the lack of questions regarding facts material to fraud. Docket No. 10 at 12-13 (no mark-up).

As a result of Sign-A-Way's decision not to assert this claim with sufficient particularity or to submit material questions for inclusion in the proposed special verdict form at any time before deliberation started, the jury did not make findings that support a determination that Mechtronics committed fraud in connection with breaking its promise to list Donna Stearns as an inventor.

For these reasons, I conclude that Sign-A-Way cannot prevail, as a matter of law, on its contention that it is entitled to damages under CUTPA because Mechtronics committed fraud in breaking its promise to Donna Stearns to list her as an inventor in the 1995 Application.

3. Duty of Candor and Good Faith

Sign-A-Way further contends that the finding of the jury that Mechtronics violated its duty of candor and good faith in dealing with the Patent Office and its duty of due respect for the interests of Sign-A-Way in making the 1995

Application supports a conclusion that Mechtronics violated CUTPA.

Once again, Sign-A-Way, throughout both pretrial and trial proceedings, failed to identify for the court or its opponent the factual basis for its claim under CUTPA for a violation of these duties. Neither the Amended Complaint nor any proposed special questions addressed whether Sign-A-Way met its burden in showing that Mechtronics' breach of the duty of candor and good faith to the Patent Office and of the duty of due deference to Sign-A-Way met other required elements of a violation of CUTPA other than causation of harm to Sign-A-Way. See *Williams Ford, 232 Conn. at 591-93*. This deficiency was the product of Sign-A-Way's deliberate strategic choice not to clarify its contentions at a stage before the jury commenced deliberations.

In addition, Sign-A-Way has not shown that the evidence before the jury compels a determination that, as a matter of law, recovery under CUTPA for Mechtronics' violation of the duty of candor and good faith to the Patent Office or its duty of due respect for the interests of Sign-A-Way. I conclude that, as a matter of law, it does not.

C. Equitable Relief

In its post-judgment motion for judgment as a matter of law, Sign-A-Way continues to contend that this court should grant further equitable relief than this court did grant, in the form of a declaratory judgment, in the Judgment of April 8, 1998.

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Given the jury's finding that there is no prospectively continuing harm to Sign-A-Way, no grounds exist for further equitable relief. The evidence before the jury supported this finding and is consistent with an award of money damages that grants less than the total amount of damages suggested by plaintiff's expert witness on damages.

D. Proposed Striking of Finding of Consent by Donna Stearns to 1995 Application

The finding of the jury that Sign-A-Way, just like Mechtronics, characterizes as one of "consent to the 1995 Application" was a reasonable finding of the jury.

The problem is not with the finding, but with the parties characterizations of the finding that ask this court to rule, as a matter of law, on issues that the are likely to be material to them in matters outside this civil action but that were not material to the claims asserted in this case that went to the jury.

As explained above in Part III.A, the supposed finding of consent to the 1995 Application is in reality only a finding of consent to the disclosure of certain material information to the USPTO in the 1995 Application and, as a matter of law, cannot be interpreted as a consent to the application's failure to name Donna Stearns as an inventor. The jury's finding is clear and was reasonable in light of the evidence before them.

Appendix B

V. Resulting Modifications of Final Judgment

A. The Award of Damages to Mechtronics on Counterclaims

The court's determination in this opinion, as explained in Part IV. A, that Sign-A-Way, Inc. cannot be held liable for harm caused by tortious acts of Donna Stearns occurring before incorporation of Sign-A-Way requires that the part of the Final Judgment of April 8, 1998 awarding $28,000 (and associated prejudgment interest) to Mechtronics on its counterclaim must be vacated and the award of damages to Mechtronics in the Amended Final Judgment must be limited to an amount based on the $1,000 finding in answer to Question IV.1(b).

I conclude that the prejudgment interest of $8,400 in the jury finding in answer to Question IV.4 cannot be prorated on a strictly mathematical basis because prejudgment interest is designed to serve a compensatory function to place the victim of a failure to comply with an obligation of payment in the position that the victim would have occupied had payment been timely made. The $8,400 figure was based on a finding of an award of $28,000 for harm caused by Donna Stearns' conduct before incorporation of Sign-A-Way. The $1,000 award was for misappropriation by Sign-A-Way after its incorporation at a later date. I conclude that in these circumstances, it is fair and appropriate for the court to make an equitable allocation of 1/56 rather than 1/28 of the $8,400 as prejudgment interest allocable to the $1,000 finding. Thus the Amended Final Judgment for Mechtronics, in part (4) of the judgment, will be:

for compensatory damages in the amount of $ 1,150 (which includes $ 150 in prejudgment interest) based on:

(a) the jury's finding of $ 1,000 in answer to Question IV.1(b)(1) and $ 8,400 in answer to Question IV.4, 1/56 of which, or $ 150, is allocable as prejudgment interest on $ 1,000; and

(b) the finding for Mechtronics in answer to Question III.1(a)(1).

B. Paragraph (7) of the Judgment

Since an Amended Final Judgment is to be entered and no costs are being awarded, paragraph (7) of the judgment must be amended to read:

> All awards of damages bear post-judgment interest at the federal judgment rate of 5.391% per annum from the day of the original judgment, April 8, 1998.

C. Setoff

Mechtronics asks the court to order that its award of $1,150 plus post-judgment interest from April 8, 1998 be separately enforceable even while Mechtronics has not made any payment toward discharge of the judgment against it, in part (2), for $220,000 plus post-judgment interest. Sign-A-Way asks, in contrast, (and as an alternative to its request for complete denial of relief to Mechtronics as a matter of law) that the court order setoff.

I conclude, for the reasons explained below, that setoff is equitable and appropriate.

In ordering final judgment, this court must state the judgment in a way that fairly and finally adjudicates the claims asserted by the parties and facilitates appellate review. Under some specialized bodies of law, lawmakers have adopted rules that limit a trial court's ability to order setoff of different awards within a judgment. Some court decisions have construed identified federal statutes as not permitting the offset of awards of attorney's fees under the statute against amounts awarded on a counterclaim. See, e.g., *Marre v. United States, 117 F.3d 297, 304 (5th Cir. 1997)* (discussing precedents). In bankruptcy and other insolvency contexts, some decisions allow setoff in practice (by self-help), even when not formally ordered as part of the terms of the judgment. See, e.g., *11 U.S. C. § 553.* In those contexts, setoff is also sometimes allowed in orders in aid of enforcement of a judgment, even when not formally ordered within the terms of the judgment itself. See *Darr v. Muratore, 8 F.3d 854, 860 (1st Cir. 1993).* A court may conclude that such an order in aid of enforcement is appropriate, if the parties' owe each other amounts arising from an identifiable mutual obligation. Id. It is also recognized that, in appropriate circumstances, "in the absence of a statute, there is power in equity to compel a setoff of cross demands or of judgments . . . whenever necessary for the proper administration of justice." *Massachusetts Motor Vehicle Reinsurance Facility v. Commissioner of Ins., 379 Mass. 527, 400 N.E. 2d 221, 227 (Mass. 1980)* (citation omitted). Whenever appropriate motions are made after trial, a trial court has discretion to setoff the judgment awarded to one party on all of its claims

against the judgment awarded to the other party if such an explicit offset is likely to anticipate and resolve more contingencies and leave less possibility of uncertainty about what the judgment means. See *James E. Brady & Co. v. Eno, 992 F.2d 864, 870 (8th Cir. 1993)* (post-trial judgment for setoff permissible even though verdict forms made jury's calculation of a setoff impractical); *Gass v. Gamble-Skogmo, Inc., 357 E.2d 215, 220 (7th Cir. 1966)* ("judgment on the counterclaim is available as a set-off against the judgment for the plaintiffs").

In this case, the procedural history of the case and the relatively large disparity of the judgments awarded to Sign-A-Way and to Mechtronics create a substantial risk that, if setoff is not ordered, a fair and final adjudication of the case might be temporarily forestalled while the parties engage in strategic behavior with respect to each party's respective decisions whether to pay or not pay the judgment ordered by this court and whether to appeal one or another aspect of the judgment. By ordering setoff the court may provide greater assurance that, as far as possible, all disputes have been resolved and interests against piecemeal litigation have been served.

The integrity and completeness of the final judgment in this case is especially important because of the interdependence among the findings, rulings and conclusions associated with each claim asserted by each side and those associated with other claims asserted by either side. This interdependence is evident, for example, in the court's discussion in Parts III and IV of this opinion with respect to claims under the Lanham Act, under CUTPA, and claims of

fraud or misappropriation. The ordering of setoff clarifies the relationship among those findings, conclusions, and rulings, and also may facilitate a precise amendment of the judgment, by a higher court, should it so order, without the need to remand for further hearings and rulings.

For these reasons, the following paragraphs, designated as (8) and (9), will be added to the Amended Final Judgment:

> (8) After addition of the respective post-judgment interest to the amounts awarded in Part (2) of this Amended Final Judgment to Sign-A-Way and in Part (4) of this Amended Final Judgment to Mechtronics, Mechtronics must pay to Sign-A-Way the balance of awards to Sign-A-Way in this Amended Final Judgment after deduction of awards to Mechtronics.
>
> (9) The awards to Mechtronics are not separately enforceable before Mechtronics has satisfied Part (8) of this Amended Final Judgment.

VI. Conclusion

For the reasons explained in the other parts of this opinion, the court will order an Amended Final Judgment.

ORDER

For the foregoing reasons, it is hereby ORDERED:

(1) Mechtronics' Post-Verdict Motion for Judgment as a Matter of Law (Docket No. 113) is DENIED.

(2) Sign-A-Way's Renewed Motion for Judgment as a Matter of Law (Docket No. 117) is ALLOWED, in part only to the extent described in Part IV above.

(3) Sign-A-Way's Alternative Motion for Setoff of Judgments (Docket No. 116) is ALLOWED, in part only to the extent described in Part V.C above.

(4) The Clerk is directed to enter on a separate document, accordingly, an AMENDED FINAL JUDGMENT that incorporates the modifications to the Judgment of April 8, 1998 described in Part V above.

s/
Robert E. Keeton
United States District Judge

Appendix B

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

CIVIL ACTION
NO. 96-10705-REK

SIGN-A-WAY, INC.,

Plaintiff

v.

MECHTRONICS CORPORATION,

Defendant

Amended Final Judgment
May 29, 1998

Plaintiffs Amended and Restated Complaint sought injunctive relief, declaratory relief, compensatory damages, punitive damages, attorneys fees, and an accounting of defendant's use of plaintiff's alleged "invention." After court rulings in pretrial proceedings, plaintiffs numerous theories of claim remaining at the beginning of trial proceedings included a federal law claim of violation of the Lanham Act for false or misleading advertisement and promotion; Massachusetts state-law claims of breach of contract, misappropriation of trade secrets, unjust enrichment, conversion, interference with advantageous relations, damage to reputation, and fraud; and claims under the law of Connecticut of unfair competition and violation of the Connecticut Unfair Trade Practices Act.

Defendant, in counterclaims, asserted Massachusetts state-law claims for injunctive relief, "damages, together with interest, costs, and attorneys' fees;" double damages as to one of the asserted counterclaims; conversion, misappropriation of trade secrets and other proprietary information, and unjust enrichment.

The court entered a judgment in this case on April 8, 1998. The court thereafter considered postjudgment motions of Sign-A-Way and Mechtronics. For the reasons explained in an Opinion of this date, the court ordered that an amended judgment be entered in this case. This Amended Final Judgment incorporates the amendments to the Judgment of April 8, 1998 ordered by the court in the Opinion of this date.

The court submitted to the jury factual issues, by questions under Rule 49(a) of the Federal Rules of Civil Procedure, bearing upon the claims and counterclaims remaining for trial. On April 3, 1998, the jury returned a verdict that, in material part, was as follows:

I. WHAT WAS KNOWN, SAID, AND DONE AT VARIOUS IDENTIFIED TIMES

A. Promises of Mechtronics to Keep Disclosures of Donna Stearns Confidential

1. Defendant does not dispute that Christopher Anderson, Vice President of Mechtronics, at the meeting of January 1994, promised to keep confidential all disclosures made by Donna Stearns caring that meeting and in their

further dealings with each other as to which you have heard evidence in this case.

Did Donna Stearns, acting in reliance on that promise, provide to Mechtronics during or after that meeting one or more of the following?

(1) A mechanical model of a Self-Leveling sign hanging device?

_X_ YES ___ NO

(2) A photograph of the self-leveling sign hanging device?

_X_ YES ___ NO

(3) A patent disclosure statement?

_X_ YES ___ NO

(4) An explanation as to how the self-leveling sign hanging device functioned?

_X_ YES ___ NO

(5) Her opinion that there was a marketplace need for self-leveling sign hanging devices?

_X_ YES ___ NO

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2. Defendant does not dispute that, at the January 1994 meeting or later, Donna Stearns disclosed to Mechtronics, either orally, or by presentation of a model, photograph or patent disclosure, a device that consisted of one or more of the following characteristics:

(1) A device to raise and lower a sign from a ceiling.

(2) A device to raise and lower a sign that was self-leveling (i.e., the sign would remain level at all times).

(3) A device for suspending signs containing a sign holder to hold the sign.

(4) A device for suspending signs containing a sign holder where the sign holder's sheaves are spaced equidistantly from their respective ends.

(5) A cord supporting the sign holder.

(6) A drum from which the cord would wind and unwind thereby raising or lowering the sign.

(7) A cord which supports the sign holder that runs from a fixed point on the ceiling to a drum.

(8) A device for suspending signs containing a sign holder where the distance between the sign holder's sheaves and the cord-attaching unit and drum are the same.

(9) Two pulleys attached to the sign holder through which the cord runs.

Did Donna Stearns also disclose to Mechtronics, either orally or by a presentation of a model, photograph, or patent disclosure:

(10) A motorized means to turn the drum and thereby wind and unwind the cord to raise and lower the sign?

_X_ YES ___ NO

(11) A remote control device to activate the motor to turn the drum, thereby winding and unwinding the cord to raise and lower the sign?

_X_ YES ___ NO

B. Intent of Mechtronics and Reliance by Donna Stearns

Defendant does not dispute

(1) that Mechtronics promised, in the letter dated February 7, 1994, to keep confidential the disclosures to Mechtronics that were made by Donna Stearns, before and after as well as on February 7, 1994, and

(2) that an ordinarily prudent person in Donna Stearns' circumstances would have relied upon that promise.

3(a). Did Donna Stearns rely on that promise?

_X_ YES ___ NO

If YES to 3(a), go to 3(b)-(d). Otherwise, skip 3(b)-(d).

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3(b). Do you find that a representative of Mechtronics, at the time of making such a promise to Donna Stearns, did not then intend and expect that Mechtronics would keep that promise?

(1) Oral promise by Christopher Anderson?

___ We find by a preponderance of the evidence that plaintiff has met its burden of proving that Anderson did not then intend and expect that Mechtronics would keep the promise

___ We find that plaintiff failed to meet its burden

(2) Oral promise by Richard Fellinger?

___ We find by a preponderance of the evidence that plaintiff has met its burden of proving that Fellinger did not then intend and expect that Mechtronics would keep the promise

_X_ We find that plaintiff failed to meet its burden

(3) Promise in the February 7, 1994 Letter?

___ We find by a preponderance of the evidence that plaintiff has met its burden of proving that Fellinger, at the time of signing the letter, did not then intend and expect that Mechtronics would keep the promise

_X_ We find that plaintiff failed to meet its burden

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3(c). At a later time (after the promise was made) did a representative of Mechtronics decide that Mechtronics did not at that later time then intend and expect that Mechtronics would keep the promise?

___ We find by a preponderance of the evidence that plaintiff has met its burden of proving that at a later time a representative of Mechtronics then *intended* that Mechtronics would not keep the promise

___ We find by a preponderance of the evidence that plaintiff has met its burden of proving that at a later time a representative of Mechtronics then *expected* that Mechtronics would not keep the promise

_X_ We find that plaintiff failed to meet its burden

3(d). Did any person acting for Mechtronics tell Donna Stearns, at either the January or the February/March 1994 meeting, that Mechtronics did not intend to keep confidential the disclosures she made?

(1) As to Christopher Anderson?

_X_ We find by a preponderance of the evidence that plaintiff has met its burden of proving that Anderson did not tell Donna Stearns that Mechtronics did not intend to keep confidential the disclosures she made

___ We find that plaintiff failed to meet its burden

(2) As to Richard Fellinger?

_X_ We find by a preponderance of the evidence that plaintiff has met its burden of proving that Fellinger did not tell Donna Stearns that Mechtronics did not intend to keep confidential the disclosures she made

___ We find that plaintiff failed to meet its burden

(3) As to any other person?

_X_ We find by a preponderance of the evidence that plaintiff has met its burden of proving that no other person acting for Mechtronics told Donna Stearns that Mechtronics did not intend to keep confidential the disclosures she made

___ We find that plaintiff failed to meet its burden

C. Compliance or Breach

4(a). Did Mechtronics, without the manifested consent (express or implied in fact) of Donna Stearns, reveal to at least one other person, or entity, material information contained in one or more of the disclosures by Donna Stearns to Mechtronics regarding the Self-Leveling Sign Hanging Device?

_X_ YES ___ NO

If YES to 4(a), go to 4(b)-(e). Otherwise, skip 4(b)-(e).

4(b). Did Mechtronics' conduct in revealing material information contained in one or more of the disclosures of Donna Stearns cause harm to Sign-A-Way?

___ YES _X_ NO

4(c). To which, if way, of the following did Mechtronics reveal material information contained in one or more of the disclosures by Donna Stearns?

(1) Arthur Torrence

_X_ YES ___ NO

(2) Cary Cieciuch

_X_ YES ___ NO

(3) The Patent and Trademark Office in the 1995 application

_X_ YES ___ NO

(4) The Patent and Trademark Office in the 1996 application

___ YES _X_ NO

4(d)(1). After Mechtronics revealed to one or more of the persons or office identified in 4(c), did Donna Stearns learn that Mechtronics had revealed and what Mechtronics had revealed, and to whom?

_X_ YES ___ NO

If YES to 4(d)(1), go to 4(d)(2) and (3). Otherwise, skip 4(d)(2) and (3).

4(d)(2). Did Donna Stearns manifest consent (express or implied in fact) to what Mechtronics had revealed?

_X_ YES ___ NO

4(d)(3). Did Donna Stearns know that Mechtronics was taking additional steps to proceed with development of the Self-Leveling Sign Hanging Device?

_X_ YES ___ NO

4(e). As to the disclosures about the Self-Leveling Sign Hanging Device provided by Donna Stearns to Mechtronics,

(1) were all of them otherwise known to Mechtronics?

___ YES, we find by a preponderance of the evidence

_X_ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

(2) were all of them generally known?

___ YES, we find by a preponderance of the evidence

_X_ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

(3) were any of them both (i) not previously known to Mechtronics and (ii) useable in the operation of a business or other enterprise?

_X_ YES, we find by a preponderance of the evidence

___ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

(4) were any of them both (i) not previously known to Mechtronics sufficiently valuable and secret to afford an actual or potential economic advantage over others?

_X_ YES, we find by a preponderance of the evidence

___ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

(5) were any of them both (i) not previously @n to Mechtronics and (it) of measurable benefit to Mechtronics?

_X_ YES, we find by a preponderance of the evidence

___ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

D. Trade Secrets

5. This question concerns care in protecting confidential information about the Self-Leveling Sign Hanging Device.

5(a). Did Donna Stearns violate the standard of due respect for the interests of Mechtronics to protect secrecy and avoid disclosure to persons and entities other than Mechtronics of the information about the Self-Leveling Sign Hanging Device that she disclosed to Mechtronics after receiving a promise of confidentiality from Mechtronics?

(1) _X_ We find by a preponderance of the evidence that she made disclosures to persons or entities other than Mechtronics that a reasonable person in her circumstances would not have made

(2) ___ We find by a preponderance of the evidence that any disclosures she made to persons or entities other than Mechtronics were made in circumstances in which a reasonable person would have felt free to make them

(3) ___ We unanimously find no preponderance of the evidence on this matter

If in answering 5(a) you checked 5(a)(1) or 5(a)(3), go to 5(b). Otherwise, skip 5(b).

5(b). Did Donna Stearns' disclosures in violation of the standard of the respect to protect secrecy of confidential information she had disclosed to Mechtronics cause loss to Mechtronics?

___ YES _X_ NO

E. Concerning Unjust Enrichment

6(a). Did Mechtronics attempt to use for its own benefit the disclosures Donna Stearns made to Mechtronics concerning the Self-Leveling Sign Hanging Device in one or more of the following ways?

(1) In making the 1995 patent application

_X_ YES ___ NO

(2) In making the 1996 patent application

___ YES _X_ NO

(3) In one or more other ways

_X_ YES ___ NO

If YES to any part of 6(a), go to the corresponding part of 6(b). Otherwise, skip 6(b).

6(b). Did Mechtronics do so without the consent of Donna Stearns (express or implied in fact)?

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(1) As to the 1995 patent application

_X_ We find by a preponderance of the evidence that Mechtronics *did not* have the consent of Donna Stearns

___ We find by a preponderance of the evidence that Mechtronics *did* have the consent of Donna Stearns

___ We unanimously find no preponderance of the evidence on this matter

(3) In one or more of other ways

_X_ We find by a preponderance of the evidence Mechtronics did not have the consent of Donna Stearns

___ We find by a preponderance of the evidence that Mechtronics *did* have the consent of Donna Stearns

___ We unanimously find no preponderance of the evidence on this matter

7(a). Did Mechtronics understand the benefit of the disclosures made by Donna Stearns to Mechtronics concerning the Self-Leveling Sign Hanging Device?

_X_ We find by a preponderance of the evidence that Mechtronics *did* understand

___ We find by a preponderance of the evidence that Mechtronics *did* not understand

___ We unanimously find no preponderance of the evidence on this matter

7(b). Did Mechtronics in fact obtain a benefit from the disclosures Donna Stearns made to Mechtronics concerning the Self-Leveling Sign Hanging Device?

_X_ We find by a preponderance of the evidence that Mechtronics in fact *did* obtain a benefit

___ We find by a preponderance of the evidence that Mechtronics in fact did not obtain a benefit

___ We unanimously find no preponderance of the evidence on this matter

F. Contacts in the Industry

8(a). Did Donna Stearns

(1) have a business relationship or contemplated business relationship of economic benefit with persons or entities in a business in which the Self-Leveling Sign Hanging Device would be useful?

_X_ YES, we find by a preponderance of the evidence

___ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

(2) advise Mechtronics of those business relationships or contemplated business relationships?

_X_ YES, we find by a preponderance of the evidence

___ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

8(b). Did Mechtronics, by application for a patent on a Self-Leveling Sign Hanging Device, interfere with Donna Stearns' business relationships and contemplated business relationships?

Check in only one of the following five blanks to express your unanimous finding of knowing, reckless, or negligent interference, or your unanimous finding that Sign-A-Way has not met its burden of proving knowing, reckless, or negligent interference.

(1) ___ YES, knowingly, we find by a preponderance of the evidence

(2) ___ YES, recklessly, we find by a preponderance of the evidence

(3) ___ YES, negligently, we find by a preponderance of the evidence

(4) _X_ NO, we find by a preponderance of the evidence

(5) ___ We unanimously find that there is no preponderance of the evidence

8(c). Did Mechtronics in a way or ways other than applying for a patent, interfere with Ms. Stearns' potential customers of the Self-Leveling Sign Hanging Device?

Check in only one of the following five blanks to express your unanimous finding of knowing, reckless, or negligent interference, or your unanimous finding that Sign-A-Way has not met its burden of proving knowing or negligent interference.

(1) _X_ YES, knowingly, we find by a preponderance of the evidence

(2) ___ YES, recklessly we find by a preponderance of the evidence

(3) ___ YES, negligently we find by a preponderance of the evidence

(4) ___ NO, we find by a preponderance of the evidence

(5) ___ We unanimously find that there is no preponderance of the evidence

G. Applications to the Patent Office — 1995 and 1996 (Alleged Promise to Name Donna Stearns as Inventor)

9(a). Did Mechtronics make a promise to Donna Stearns that you find to be applicable to either or both of the 1995

and 1996 applications, in which part of the promise was that Mechtronics would list her as inventor:

(1) with respect to the 1995 application?

_X_ YES ___ NO

(2) with respect to the 1996 application?

___ YES _X_ NO

If YES to either part of 9(a), go to the same part of 9(b). Otherwise, skip 9(b).

9(b). Did Donna Stearns rely on Mechtronics' promise to list her as inventor,

(1) with respect lo the 1995 application?

_X_ YES ___ NO

If YES to either part of 9(b), go to the same part of 9(d). Otherwise, skip 9(d).

9(c). In the circumstances occupied by Donna Stearns, would an ordinarily prudent person have relied upon the promise to list her as inventor

(1) by Christopher Anderson?

_X_ YES, we find by a preponderance of the evidence

___ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

(2) by Richard Fellinger?

_X_ YES, we find by a preponderance of the evidence

___ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

(3) in the February 7, 1994 Letter?

___ YES, we find by a preponderance of the evidence

_X_ NO, we find by a preponderance of the evidence

___ We find that there is no preponderance of the evidence

9(d). Did Mechtronics break its promise to list her as inventor,

(1) with respect to the 1993 application?

_X_ YES ___ NO

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H. Standard of Conduct (Mechtronics)

10(a). An administrative regulation, 37 Code of Federal Regulations, §1.56, entitled "Duty to disclose information material to patentability," prescribes a "duty of candor and good faith in dealing with" the Patent and Trademark Office in submitting an application. Did Mechtronics violate the duty of candor and good faith in dealing with the Patent Office in

(1) making the 1995 application?

_X_ YES ___ NO

(2) making the 1996 application?

_X_ YES ___ NO

If YES to any part of 10(a), go to the corresponding part of 10(b). Otherwise, skip 10(b).

10(b). Was Mechtronics' conduct also a violation of Mechtronics' duty of due respect for interests of Sign-A-Way and Donna Stearns and was that conduct a cause of loss to them?

(1) Was submitting the 1995 application

(i) a violation of duty to Sign-A-Way and Donna Stearns?

_X_ YES ___ NO

(ii) a cause of loss to Sign-A-Way and Donna Stearns?

_X_ YES ___ NO

10(c). After Mechtronics made the 1995 application and Donna Stearns learned that Mechtronics had done so and learned about its content, did she manifest consent (express or implied in fact) to Mechtronics having made that application and to its content?

_X_ YES ___ NO

10(d). After Mechtronics made the 1996 application and Donna Stearns learned that Mechtronics had done so and learned about its content, did she manifest consent (express or implied in fact) to Mechtronics having made that application and to its content?

_X_ YES ___ NO

I. Mechtronics' Display at Trade Show of 1996

11(a). Was the display of a model of the Self-Leveling Sign Hanging Device by Mechtronics

(1) with the word "patented" likely to deceive or mislead potential purchasers?

_X_ YES ___ NO

(2) with a sign stating that it was patented likely to cause confusion among potential purchasers concerning Sign-A-

Way's and Mechtronics' rights and the rights of ownership of the device?

_X_ YES ___ NO

(3) with a sign stating that it was patented likely to cause confusion among potential purchasers as to the origin of the sign suspension device?

_X_ YES ___ NO

11(b). Did Mechtronics

(1) make false representations as to the origin of the sign suspension device

_X_ YES ___ NO

If YES to 11(b)(1), answer 11(b)(2). Otherwise, skip 11(b)(2).

J. Mitigation

12(a). Did Donna Stearns believe before filing this civil action that Mechtronics was attempting to misappropriate the information she had disclosed to Mechtronics?

_X_ YES ___ NO

If YES to 12(a), go to 12(b). Otherwise, skip 12(b).

12(b). Do you find that Donna Stearns had not formed this belief, before she arranged for removal of the model in the Pet Supply store?

(1) _X_ We find by a preponderance of the evidence that she did not form this belief until later

(2) ___ We find by a preponderance of the evidence that she had formed this belief before she arranged for removal of the model in the Pet Supply store

(3) ___ We unanimously find no preponderance of the evidence

II. DAMAGES AWARDS, IF ANY, FOR SIGN-A-WAY AGAINST MECHTRONICS

If YES to I.3(a) and I.4(a), answer II.1. Otherwise, skip II.1.

1. This question concerns alleged harm caused. What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any harm, as defined in the court's Charge, caused by Mechtronics' revealing information disclosed to it by Donna Stearns. Answer in DOLLARS or NONE.

(a) Revealing to the Patent Office

(1) In the 1995 application

$ NONE

(2) In the 1996 application

$ NONE

(b) Revealing to others

(1) Arthur Torrence

$ NONE

(2) Cary Cieciuch

$ NONE

If you have answered more than one of the above parts of II.1 with a DOLLAR AMOUNT, go to 1(c). Otherwise, skip 1(c).

If YES to any part of I.6(a), go to the corresponding part of II.2. Otherwise, skip II.2.

2. This question concerns alleged unjust enrichment. What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for misappropriation in one or more of the following ways? Answer in DOLLARS or NONE.

2(a). Making a patent application

(1) In making the 1995 application

$ NONE

(2) In making the 1996 application

$ NONE

2(b). In one or more other ways

$ NONE

If you have answered one or more parts of II.2 with a DOLLAR amount, go to 2(c). Otherwise, skip 2(c).

If YES to any part of 8(b), or in answer to 8(b) you checked "we find no preponderance," go to II.3. Otherwise, skip II.3.

3. This question concerns alleged interference with advantageous relationships by making applications to the Patent Office.

3(a). What amount of money, if any, is needed to compensate Sign-A-Way for losing established customers and not gaining new customers, caused by Mechtronics' making application to the Patent Office? Answer in DOLLARS or NONE.

(1) In making the 1995 application

$ NONE

(2) In making the 1996 application

$ NONE

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If you have answered either part of II.3(a) with a DOLLAR AMOUNT, go to 3(b). Otherwise, skip 3(b).

If YES to any part of 8(c), or in answer to 8(c) you checked "we find no preponderance," go to II.4. Otherwise, skip II.4.

4. This question concerns alleged interference with advantageous relationships in ways other than making applications to the Patent Office.

4(a). What amount of money, if any, is needed to compensate Sign-A-Way for loss of established customers or not gaining new customers, caused by conduct of Mechtronics other than making applications to the Patent Office? Answer in DOLLARS or NONE.

$ NONE

If you have answered II.4(a) with a DOLLAR AMOUNT, go to 4(b). Otherwise, skip 4(b).

If YES to either part of I.9(b), go to the corresponding part of II.5. Otherwise, skip II.5.

5(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for harm, if any, that Mechtronics' failure to list her as inventor caused? Answer in DOLLARS or NONE.

(1) With respect to the 1995 application

$ 200,000,000

(2) With respect to the 1996 application

$ NONE

If you have answered either part of 5(a) with a DOLLAR amount, go to 5(b). Otherwise, skip 5(b).

If YES to any part of I.10(a) and any part of I.10(b), go to II.6. Otherwise, skip II.6.

6(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any loss to Sign-A-Way caused by conduct of Mechtronics in violation of a duty to Sign-A-Way and Donna Stearns regarding candor and good faith in dealing with the Patent and Trademark Office? Answer in DOLLARS or NONE.

(1) In making the 1995 application

$ NONE

(2) In making the 1996 application

$ NONE

If you have answered either part of II.6(a) with a DOLLAR AMOUNT, go to 6(b). Otherwise, skip 6(b).

6(b). How much, if any, of the amount or amounts you have found is duplicative? Answer in DOLLARS or NONE.

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(1) With respect to the amount in 6(a)(1)

(xi) Duplicative as to 5(a)(1)

$ 200,000.00

If YES to any part of I.11, go to II.7. Otherwise, skip II.7.

7(a). What amount of money, if any, is needed to compensate Sign-A-Way fairly and reasonably for any loss to Sign-A-Way caused by the conduct of Mechtronics in any of the following ways? Answer in DOLLARS or NONE.

(1) In displaying a model of the Self-Leveling Sign Hanging Device

$ NONE

(2) In making a false representation as to the origin of the sign suspension device

$ NONE

If you have answered either part of II.7(a) with a DOLLAR AMOUNT, go to 7(b). Otherwise, skip 7(b).

If you have been directed in Part II to answer any other question in Part II., go to II.8 immediately below. Otherwise, skip II.8.

The court needs your answer to this following question in order to determine what, if any, judgment is to be made with respect to declaratory relief in this case.

8. Do you find by a preponderance of the evidence that it is reasonably certain that Sign-A-Way will suffer economic harm in the future, beyond the date of your verdict, of which any wrong conduct of Mechtronics you have found in answering other questions in this Verdict is a cause?

___ YES _X_ NO

9. If you have awarded a sum of money in answer to any question in Part II, answer the corresponding part of this question. Otherwise, skip this question. What, if any, prejudgment interest do you award. Answer in DOLLARS or NONE.

(xi) On the sum awarded in 5(a)(1), $ 20,000.00 in prejudgment interest

(xiii) On the sum awarded in 6(a)(1), $ 20,000.00 in prejudgment interest

III. DISCLOSURES BY MECHTRONICS TO SIGN-A-WAY

1. This question concerns Mechtronics' disclosures to Donna Stearns or Sign-A-Way.

1(a)(1). Did Mechtronics disclose to Donna Stearns or Sign-A-Way the Mechtronics device's micro-chip?

_X_ YES ___ NO

If YES to 1(a)(1), go to (2)-(6). Otherwise skip (2)-(6).

(2) Was this information otherwise known to Sign-A-Way?

___ YES _X_ NO

(3) Was this information generally known?

___ YES _X_ NO

(4) Was this information useable in the operation of a business or other enterprise?

_X_ YES ___ NO

(5) Was this disclosure sufficiently informative beyond general knowledge and valuable, alone or together with other disclosures, to provide Donna Stearns an economic advantage over others in a similar business?

_X_ YES ___ NO

(6) Did Donna Stearns or Sign-A-Way violate their duty of due respect for the interests of Mechtronics in this information Mechtronics disclosed to Donna Stearns or Sign-A-Way?

_X_ YES ___ NO

1(b)(1). Did Mechtronics disclose to Donna Stearns or Sign-A-Way Mechtronics' customer lists, contacts, and marketing leads, developed by Mechtronics?

___ YES _X_ NO

If YES to 1(b)(1), go to (2)-(6). Otherwise skip (2)-(6).

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2. This question concerns Mechtronics' Trade Secrets and Mechtronics' care in protecting confidential information about Mechtronics development of models and designs.

2(a). Did Mechtronics violate the standard of due respect for the interests of Sign-A-Way to protect secrecy and avoid disclosure to persons and entities other than Donna Stearns and Sign-A-Way of the information about Mechtronics' development of models and designs that Mechtronics disclosed to Donna Stearns or Sign-A-Way

(1) ___ We find by a preponderance of the evidence that Mechtronics made disclosures to persons or entities other Donna Stearns and Sign-A-Way that a reasonable person in Mechtronics' circumstances would not have made.

(2) _X_ We find by a preponderance of the evidence that any disclosures Mechtronics made to persons or entities other than Donna Stearns and Sign-A-Way were made in circumstances in which a reasonable person would have feel free to make them.

(3) ___ We unanimously find no preponderance of the evidence on this matter.

3(a) Was Donna Stearns' conduct in either of the following ways a violation of her duty of due respect for the interests of Mechtronics?

(1) Was Donna Stearns' conduct in arranging for the removal of the model that was displayed in the Pet Supply

Store a violation of her duty of due respect for Mechtronics' property interest in the model?

___ YES _X_ NO

(2) Was Donna Stearns' conduct in making the arrangements she made with Selectronics for developing and making a model a violation of her duty of due respect for Mechtronics' interests?

_X_ YES ___ NO

If YES to either part of 3(a), go to the corresponding part of 3(b). Otherwise slip 3(b).

3(b). Did Donna Stearns' conduct in either of the following ways cause Mechtronics to suffer a loss?

(2) Her conduct in making the arrangements she made with Selectronics for developing and making a model?

_X_ YES ___ NO

IV. DAMAGES AWARDS, IF ANY, FOR MECHTRONICS AGAINST SIGN-A-WAY

If YES to any of III.1(a)-(d)(1) or III.1(b)(1), go to 1, immediately below. Otherwise, skip 1.

1. This question concerns alleged misappropriation of benefit.

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1(a). Did Sign-A-Way use for its own benefit information Mechtronics disclosed to Sign-A-Way about the Self-Leveling Sign Hanging Device without compensating Mechtronics fairly and reasonably for the use?

_X_ YES ___ NO

If YES to 1(a), go to 1(b). Otherwise, skip 1(b).

1(b). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for misappropriation? Answer in DOLLARS or NONE.

(1) For use of the Mechtronics' microchip

$ 1,000.00

(2) For use of customer lists, marketing contracts and leads

$ NONE

If you have answered both parts of III.1(b) with a DOLLAR amount, go to 1(c). Otherwise, skip 1(c).

1(c). How much, if any, of the amounts you have found is duplicative? Answer in DOLLARS or NONE.

$ NONE

If YES to III.1(a)(6) or III.1(b)(6), go to 2.

2. This question concerns Donna Stearns' or Sign-A-Way's allegedly causing loss to Mechtronics by revealing information Mechtronics disclosed to Donna Stearns or Sign-A-Way.

2(a). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns or Sign-A-Way by revealing to others in violation of their duty of due respect for the interests of Mechtronics, one or more of the disclosures of Mechtronics to Donna Stearns or Sign-A-Way?

$ NONE

If you have answered IV.2(a) with a DOLLAR amount, answer 2(b). Otherwise skip 2(b).

If YES to either part of III.3(a), to 3, immediately below. Otherwise, skip 3.

3(a)(1). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns' arranging for removal of the model in the Pet Supply store? Answer in DOLLARS or NONE.

$ NONE

3(a)(2). What amount of money, if any, is needed to compensate Mechtronics fairly and reasonably for any loss to Mechtronics caused by Donna Stearns' making the

arrangements she made with Selectronics for developing and making a model? Answer in DOLLARS or NONE.

$ 28,000.00

If you answered either part of 3(a) with a dollar amount, go to 3(b). Otherwise skip 3(b).

3(b). How much, if any, of the amount or amounts you have found is duplicative? Answer in DOLLARS or NONE.

(2) With respect to the amount found in 3(a)(2)

(i) Duplicative as to 1(b)(1)

$ 1,000.00

4. If you have awarded a sum of money in any question in Part IV, answer the corresponding part of this question. Otherwise skip this question.

What, if any, prejudgment interest do you award? Answer in DOLLARS or NONE.

On the sum awarded in 3(a)(2), $ 8,400.00 in prejudgment interest

April 3, 1998 X
Date Foreperson

On the stipulations, rulings of law, and the foregoing findings of fact by the jury in response to Questions I.(1)-

(5), I.2(1)-(11), I.3(a), I.4(a)-(c), I.4(e), I.6, I.7, I.8(c), I.9, I.10, I.11, and II.4(a), it is ORDERED AND ADJUDGED:

(1) With respect to plaintiffs claim for declaratory relief, it is adjudicated and declared that:

(a) Donna Stearns, acting in reliance on promises of confidentiality by Mechtronics, provided to Mechtronics:

(1) A mechanical model of a self-leveling sign hanging device;

(2) A photograph of the self-leveling sign hanging device;

(3) A patent disclosure statement;

(4) An explanation as to how the self-leveling sign hanging device functioned,

(5) Her opinion that there was a marketplace need for self-leveling sign hanging devices;

(b) Donna Stearns, acting in reliance upon promises of confidentiality by Mechtronics, also disclosed to Mechtronics:

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(1) A device to raise and lower a sign from a ceiling;

(2) A device to raise and lower a sign that was self-leveling (i.e., the sign would remain level at all times);

(3) A device for suspending signs containing a sign holder to hold the sign;

(4) A device for suspending signs containing a sign holder where the sign holder's sheaves are spaced equidistantly from their respective ends;

(5) A cord supporting the sign holder;

(6) A drum from which the cord would wind and unwind thereby raising or lowering the sign;

(7) A cord which supports the sign holder that runs from a fixed point on the ceiling to a drum;

(8) A device for suspending signs containing a sign holder where the distance between the sign holder's sheaves and the cord-attaching unit and drum are the same;

(9) Two pulleys attached to the sign holder through which the cord runs;

(10) A motorized means to turn the drum and thereby wind and unwind the cord to raise and lower the sign;

(11) A remote control device to activate the motor to turn the drum, thereby winding and unwinding the cord to raise and lower the sign;

(c) Mechtronics thereafter revealed to the Patent and Trademark Office in Mechtronics' 1995 application for a patent, and to Arthur Torrence and Cary Cieciuch before that application was filed, material information contained in Donna Stearns' confidential disclosures to Mechtronics, and did so without the manifest consent (express or implied in fact) of Donna Stearns;

(d) Sign-A-Way (as assignee of Donna Stearns) failed, however, to show by a preponderance of the evidence that Mechtronics' conduct in revealing material information contained in Donna Stearns' confidential disclosures caused measurable harm to Sign-A-Way;

(e) Donna Stearns' disclosures to Mechtronics included matter not

otherwise known to Mechtronics, not generally known, useable in the operation of a business or other enterprise, affording an actual or potential economic advantage over others, and of measurable benefit to Mechtronics;

(f) Mechtronics attempted to use Donna Stearns' disclosures concerning the Self-Leveling Sign Hanging Device for its own benefit in making the 1995 patent application and in other ways, and did so without the consent of Donna Stearns (express or implied in fact), and in fact did obtain benefit. Sign-A-Way failed, however, to show by a preponderance of the evidence that Sign-A-Way suffered any reasonably certain amount of loss as a result;

(g) Mechtronics made a promise to Donna Stearns that Mechtronics would list her as inventor in the 1995 application to the Patent and Trademark Office, broke that promise, and in that conduct violated the duty of candor and good faith in dealing with the Patent and Trademark Office under 37 Code of Federal Regulations § 1.56 and its duty of due respect for the interests of Sign-A-Way (as Donna Stearns' assignee) and Donna Stearns, causing loss to Donna Stearns and Sign-A-Way;

(h) Mechtronics displayed a model of the Self-Leveling Sign Hanging Device in the Trade Show of 1996, with the word "patented," which was thus likely to deceive or mislead potential purchasers, and displayed the model with a sign stating that it was patented, which was likely to cause confusion among potential purchasers concerning Sign-A-Way's and Mechtronics' rights and the rights of ownership of the device and to the origin of the sign suspension device.

(2) Judgment is awarded to Sign-A-Way against Mechtronics in the amount of $220,000 in compensatory damages based on the stipulations, jury findings and rulings declared and adjudged in (1) above and the jury findings identified in (a)-(b) immediately below, which establish two independent grounds for this award of $220,000.

(a) The first ground is the jury's finding of $200,000 in answer to Question II.5(a)(1) and prejudgment interest of $20,000 found in Question II.9(xi).

(b) The second ground is the jury finding of $200,000 in answer to Question II.6(a)(1) and prejudgment interest of $20,000 found in Question II.9(xiii).

(3) In all other respects, as to all claims of Sign-A-Way against Mechtronics, the court orders judgment for Mechtronics.

(4) With respect to Mechtronics' counterclaims against Sign-A-Way, the court orders judgment for Mechtronics for compensatory damages in the amount of $1,150 (which includes $150 in prejudgment interest) based on:

(a) the jury's finding of $1,000 in answer to Question IV.1(b)(1) and $8,400 in answer to Question IV.4, 1/56 of which, or $150, is allocable as prejudgment interest on $1,000; and

(b) the finding for Mechtronics in answer to Question III.I(a)(1).

(5) In all other respects, as to all counterclaims of Mechtronics against Sign-A-Way, the court orders judgment for Sign-A-Way.

(6) Each party will bear its own costs

(7) All awards of damages bear postjudgment interest at the federal judgment rate of 5.391% per annum from the day of the original judgment, April 8, 1998.

(8) After addition of the respective postjudgment interest to the amounts awarded in Part (2) of

this Amended Final Judgment to Sign-A-Way and in Part (4) of this Amended Final Judgment to Mechtronics, Mechtronics must pay to Sign-A-Way the balance of awards to Sign-A-Way in this Amended Final Judgment after deduction of awards to Mechtronics.

(9) The awards to Mechtronics are not separately enforceable before Mechtronics has satisfied Part (8) of this Amended Final Judgment.

Approved:	By the Court:
s/ United States District Judge	s/ Joanne M. Cull, Deputy Clerk

APPENDIX C — THE SUPREMACY CLAUSE OF THE UNITED STATES CONSTITUTION; DUTY TO DISCLOSE INFORMATION MATERIAL TO PATENTABILITY; CIVIL LIABILITY FOR FALSE OR FRAUDULENT REGISTRATION

U.S. CONST., ARTICLE IV

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

37 C.F.R. § 1.56

Duty to disclose information material to patentability.

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is canceled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a

claim that is canceled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information know to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

> (1) Prior art cited in search reports of a foreign patent office in a counterpart application, and
>
> (2) The closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentable defines, to make sure that any material information contained therein is disclosed to the Office.

(b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

(i) Opposing an argument of unpatentability relied on by the Office, or

(ii) Asserting an argument of patentability.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

(c) Individuals associated with the filing or prosecution of a patent application within the meaning of this section are:

(1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

(d) Individuals other than the attorney, agent or inventor may comply with this section by disclosing information to the attorney, agent, or inventor.

* * *

15 U.S.C.A. § 1120

Civil liability for false or fraudulent registration

Any person who shall procure registration in the Patent and Trademark Offices of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

* * * *

FILED
AUG - 7 2000
CLERK

No. 00-22

IN THE

Supreme Court of the United States

SIGN-A-WAY, INC.,

Petitioner,

v.

MECHTRONICS CORPORATION,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the Federal Circuit erred in ruling that "Sign-A-Way's state law claim based on Mechtronics' duty of candor and good faith before the [Patent and Trademark Office] is preempted by federal patent law" where the Federal Circuit determined that the "breach of Mechtronics duty to Sign-A-Way turns exclusively on Mechtronics breach of its duty of candor and good faith described in 37 C.F.R. § 1.56."

STATEMENT PURSUANT TO RULE 29.6

Respondent, Mechtronics Corporation, has no parent corporation and no publicly held company owns 10% or more of its stock.

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Mechtronics Corporation ("Mechtronics"), hereby opposes the Petition of Sign-A-Way, Inc. ("Sign-A-Way") for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

STATEMENT OF THE CASE

Sign-A-Way commenced this action alleging that Mechtronics had breached a promise to its sole shareholder, Donna Stearns ("Stearns"), to list her as an inventor on any patent application filed as a result of their collaboration in the development of a motorized, self-leveling sign hanging device. Mechtronics does not agree with Sign-A-Way's statement that Stearns had invented the device or a manually operated version thereof. Stearns had approached Mechtronics with a crude, inoperative manual model of a self leveling sign hanging device, and Mechtronics agreed to develop and motorize the device. Mechtronics eventually applied for a patent, without listing Stearns as an inventor.

The jury found that Stearns, who was told of the application by Mechtronics and was provided with a copy of the patent application within approximately a month of its being filed, manifested her consent to Mechtronics having made the application and to its contents. Appendix pp. 39a-40a.

Stearns assigned her rights in the device to Sign-A-Way, which commenced this action. The PTO subsequently issued U.S. Patent No. 5,529,274, titled "Sign Suspension System" (the "'274 Patent").

Sign-A-Way now argues that the jury's finding (made only by a preponderance of the evidence, *see* the District Court Decision, Appendix B to Sign-A-Way's Petition for a

Writ of Certiorari at p. 81a (hereinafter "Appendix __ at __") that Mechtronics breached the duty of candor and good faith owed to the PTO, leads to an independent tort claim on the part of Sign-A-Way. The Federal Circuit quite properly rejected this novel claim as infringing on federal patent law.

ARGUMENT

For the reasons set forth herein, Mechtronics submits that the Petition for Certiorari filed by Sign-A-Way is wholly lacking in merit and should not be granted.

While framing the issue as one of pre-emption, Sign-A-Way seeks to establish a novel, undefined state tort based upon the duty of a patent applicant to disclose material information to the Patent and Trademark Office ("PTO"). Specifically, Sign-A-Way relies upon a previously unrecognized "state-law duty of due respect for the interests of [Sign-A-Way] in the prosecution of the patent." Sign-A-Way Petition at p. 2. Significantly, Sign-A-Way has provided no authority for the existence of such a state law based duty.

I. The Federal Circuit Properly Found Preemption. The Cause Of Action Sought By Sign-A-Way Constitutes An Inappropriate Collateral Intrusion On The Regulatory Procedures of the PTO.

The Federal Circuit's decision constitutes nothing more than a straightforward application of established law. Article I, § 8, cl. 8 of the Constitution gives Congress the power to "promote the progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*,

489 U.S. 143, 146, 109 S. Ct. 971, 975 (1989). Under this authority, the Congress enacted the Federal Patent Act, 35 U.S.C. §§ 1-376 (1994). The patent grant is within the exclusive purview of federal law, *Abbott Lab. v. Brennan*, 952 F.2d 1346, 1355 (Fed. Cir. 1991), *cert. denied,* 505 U.S. 1205, 112 S. Ct. 2993 (1992), and state regulation of intellectual property must yield where it clashes with the balance struck by Congress in the Patent laws. *Bonito Boats*, 489 U.S. at 152, 109 S. Ct. at 978.

The tort on which Sign-A-Way relies is neither named nor defined. It is clear, however, that the purported tort is based, not upon Mechtronics' use of the '274 patent, but solely upon the prosecution of its application with the PTO.

As noted by the Federal Circuit,

> the breach of Mechtronics' duty to Sign-A-Way turns *exclusively* on Mechtronics breach of its duty of candor and good faith described in 37 C.F.R. § 1.56.
>
> The special verdict form hinged the violation of "Mechtronics' duty of due respect for interests of Sign-A-Way and Donna Stearns" on a finding of a violation of Mechtronics' "duty of candor and good faith in dealing with the Patent Office." *Sign-A-Way*, 12 F. Supp. 2d at 140. Allowing a claim, such as this, whose liability component is based solely on a violation of the standard defined in 37 C.F.R. § 1.56, would defeat federal patent law policy by providing a duplicate remedy for inequitable conduct at the state level. Federal patent law already provides an avenue of

> relief for Mechtronics' alleged misconduct, unenforceability of the patent, see 35 U.S.C. § 282, and attorney fees in an exceptional case, see 35 U.S.C. § 285.

Appendix A at 10a (emphasis added).

Accordingly, the Federal Circuit quite properly held that the claimed state tort claim was preempted as an inappropriate collateral attack on Mechtronics actions before the PTO. *Abbott Lab.*, 952 F.2d 1346.

The Federal Circuit's decision was neither novel, nor a "Napoleonic assertion of power." Sign-A-Way Petition For A Writ of Certiorari at p. 8. It was simply a straightforward application of established law. *See, e.g., Abbott Lab.*, 952 F.2d 1346; *Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368 (Fed. Cir. 2000) (state RICO claim preempted). There is nothing new or improper in the proposition that "[I]f a plaintiff bases its tort action on conduct that is protected or governed by Federal patent law, then the plaintiff may not invoke the state-law remedy, which must be preempted for conflict with federal patent law." *Hunter Douglas Inc. v. Harmonic Design Inc.*, 153 F.3d 1318,1335 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1143, 119 S. Ct. 1037 (1999) overruled on other grounds *Midwest Indus. Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999), *cert. denied*, __ U.S. __, 120 S. Ct. 527 (1999); see also *Daboub v. Gibbons*, 42 F.3d 285, 289 (5th Cir. 1995) (conversion claim preempted when core of plaintiff's claim alleged misuse of copyright material).

As in *Abbott Lab.*, the issue at bar relates directly to administrative proceedings before the PTO. *Abbott Lab.*, 952 F.2d at 1356. The PTO procedures themselves provide a remedy for the alleged inequitable conduct. As the Federal Circuit noted,

> there was nothing preventing Ms. Stearns from either (i) filing for her own patent, which she did in 1996; (ii) filing a protest regarding Mechtronics' application with the PTO under 37 C.F.R. § 1.291 alleging fraud or incorrect inventorship, *see, e.g. In re Smith*, 714 F.2d 1127, 1129 n.3, 218 USPQ 976,978 n.3 (Fed. Cir. 1983) (noting the role of a protester under 37 C.F.R. § 1.291); or (iii) filing suit in the Federal District Court under 35 U.S.C. § 256 for correction of inventorship of the '274 patent

Appendix A at 8a. "An additional state action would be an inappropriate collateral intrusion on the regulatory procedures of the PTO, 'under the guise of a complaint sounding in tort' . . . and [would be] contrary to Congress' preemptive regulation in the area of patent law." *Abbott Lab.*, 952 F.2d at 1357 (quoting *Gilbert v. Ben-Asher*, 900 F.2d 1407, 1411 (9th Cir. 1990), *cert. denied,* 498 U.S. 865, 111 S. Ct. 177 (1990)).

The Federal Circuit properly rejected this collateral intrusion as preempted by federal patent law.

II. The Undefined State Law Claim Relied Upon By Sign-A-Way Conflicts With Federal Patent Law In That It Requires Proof Of Inequitable Conduct Before The PTO By A Preponderance Of The Evidence Rather Than By Clear And Convincing Evidence.

The petition should be denied for the additional reason that it is clear that the cause of action relied upon by Sign-A-Way conflicts with federal patent law in that it requires a lower standard of proof with respect to claims of inequitable conduct before the PTO.

It is well established that a breach of the duty of candor and good faith owed to the PTO must be proved by clear and convincing evidence, not simply by a fair preponderance of the evidence. In the absence of clear and convincing evidence, breach of the duty cannot be inferred. *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988); *Avco Corp. v. PPG Indus., Inc.*, 867 F. Supp. 84, 94 (D. Mass. 1994) (citing *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 939 (Fed. Cir. 1990), *cert. denied*, 498 U.S. 920 (1990)). Sign-A-Way conceded as much before the Federal Circuit. Since Sign-A-Way acknowledged that the standard of proof was inadequate, its petition should be denied. There is no point in determining whether a defective claim was properly preempted.

In any event, it is clear that where inequitable conduct before the PTO forms an element of a state law tort claim (for example, certain tortious interference claims) the inequitable conduct must be shown by the federal law standard — by clear and convincing evidence. *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1475 n.4 (Fed. Cir. 1998),

cert. denied, 525 U.S. 1138, 119 S. Ct.1026 (1998). Because the cause of action relied upon by Sign-A-Way is based upon a finding of inequitable conduct made only by a preponderance of the evidence, it conflicts with established federal law and must be preempted.

III. The Petition For Certiorari Should Be Denied Because The State Law Cause Of Action Claimed By Sign-A-Way Does Not Exist.

Sign-A-Way has cited no authority for the existence of a state-law duty of due respect for the interests of another party in the prosecution of a patent. The reason is simple — the unnamed, undefined state law cause of action claimed by Sign-A-Way does not exist. 35 U.S.C. § 115 requires a patent applicant to "make oath that he believes himself to be the original and first inventor" of the subject matter of the application. The duty an applicant owes to the PTO, however, creates no duty between the patent applicant and any purported inventor. *Wise v. Hubbard*, 769 F.2d 1 (1st Cir. 1985).

> Instead, because the PTO's interest is in rewarding the true inventor with the issuance of a patent, the sole duty created is between the applicant and the PTO. Breach of this duty simply results in the patent being "unauthorized by law and void. . . ."

Id. (citing *Kennedy v. Hazelton*, 128 U.S. 667, 672, 9 S. Ct. 202, 203 (1888). It does not give rise to an independent cause of action on the part of a co-inventor. *Id.* Certainly, state law cannot create a duty of care arising out of 35 U.S.C. § 115, where federal law has declined to do so.

IV. The Petition Should Be Denied Because Sign-A-Way Is Unable To Show A Compelling Reason For Its Allowance.

Sign-A-Way is unable to cite any compelling reason for the granting of a Writ of Certiorari.

The heart of Sign-A-Way's argument is that the Federal Circuit erred in its interpretation of Sign-A-Way's state law claim. Sign-A-Way argues "[t]he Federal Circuit based this incorrect conclusion [(that the claim was preempted)] on its interpretation of the state law claim as turning *exclusively* on Mechtronics breach of its duty of good faith, set forth in 37 C.F.R. § 1.56(a) (1999)." Application at p. 3 (emphasis in original). Sign-A-Way apparently concedes that such a state-common law claim (one which turns exclusively on a breach of the duty set forth in 37 C.F.R. § 1.56(a)) would be preempted. Indeed, it is difficult to imagine a state common law basis for regulating behavior before the PTO. Thus, Sign-A-Way's argument is that the Federal Circuit misapplied a correct rule of law by misinterpreting the state law claim — precisely the type of claim for which certiorari is "rarely granted". Rule 10 of the Rules of the Supreme Court of the United States.

Sign-A-Way is reduced to requesting that the Supreme Court to grant its petition to address a "trend in the Federal Circuit toward an unnecessarily expansive view of its own power." The position is unsupportable.

V. The Relief Requested By Sign-A-Way Would Not Alter The Final Result Of The Case As Sign-A-Way Does Not Challenge The Federal Circuit's Ruling That No Harm Was Caused By Mechtronics' Conduct.

Finally, resolution of the issue for which Sign-A-Way petitions for a Writ of Certiorari would not alter the outcome of the case. Sign-A-Way does not challenge the Federal Circuit's determination that there was no evidence of a causal link between Mechtronics breach of its alleged promise to list Stearns as an inventor and any harm suffered by Sign-A-Way, and does not provide evidence of any causal link between Mechtronics breach of the claimed duty, and any harm suffered by Sign-A-Way. Thus, under either theory, Sign-A-Way was not harmed and has no claim for money damages.

CONCLUSION

For all the foregoing reasons, Mechtronics Corporation requests that the Petition for Writ of Certiorari filed by Sign-A-Way, Inc. be denied.

Respectfully submitted,

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